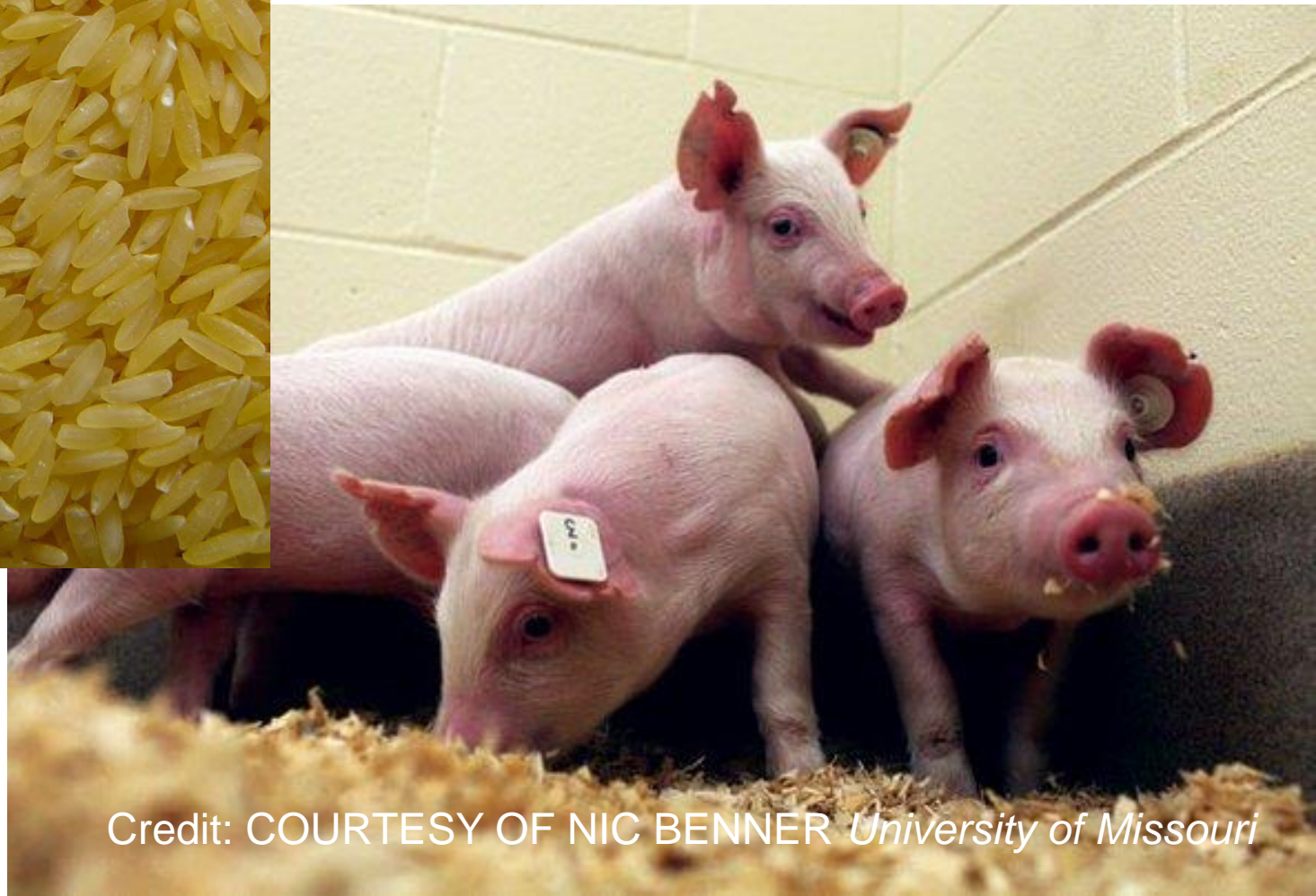




<http://www.goldenrice.org/>

Robert Johansson
Chief Economist, USDA
Feb 2019

AG OUTLOOK 2019: GROWING LOCALLY, SELLING GLOBALLY



Credit: COURTESY OF NIC BENNER *University of Missouri*

Outline

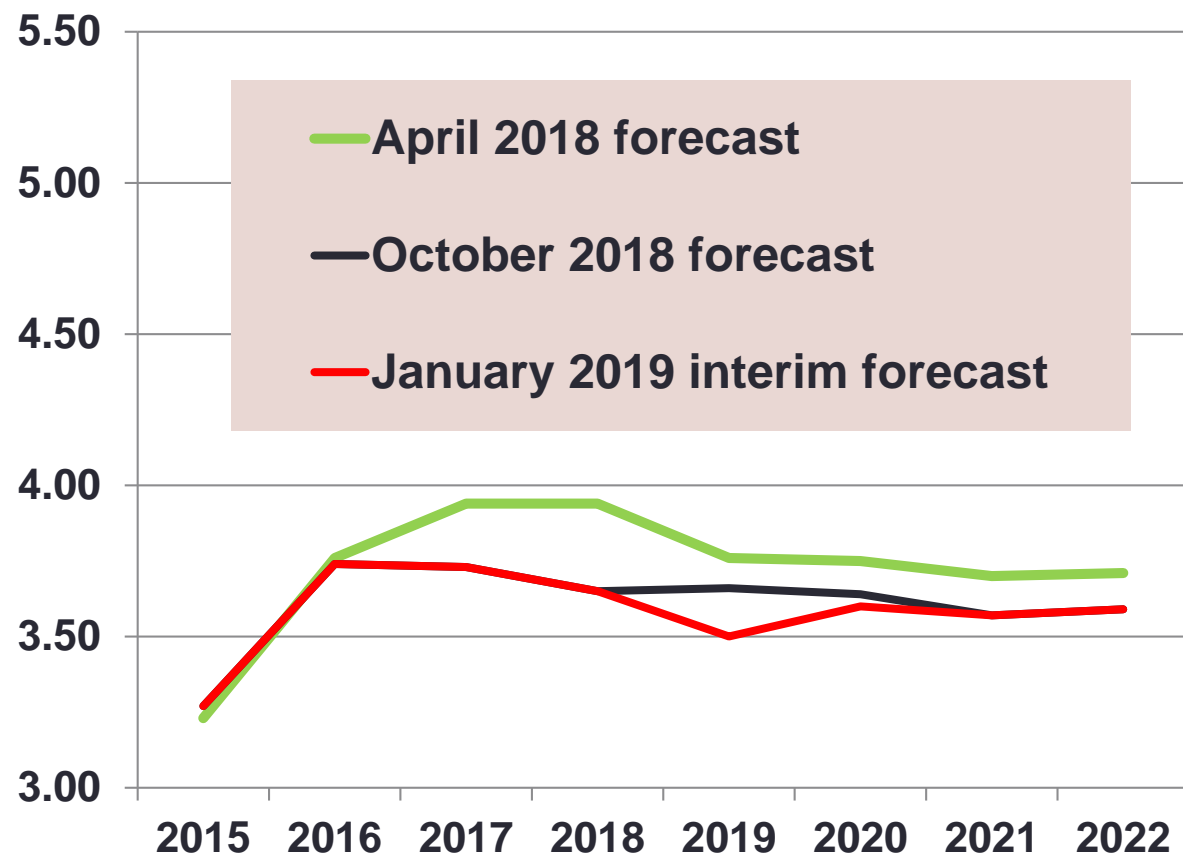
1. Farm economy
2. Crops & Livestock
3. Trade
4. Farm Bill



Growth forecasts less optimistic — global purchasing power falls by \$0.7 trillion (cumulative from 2019 – 2022)

World GDP

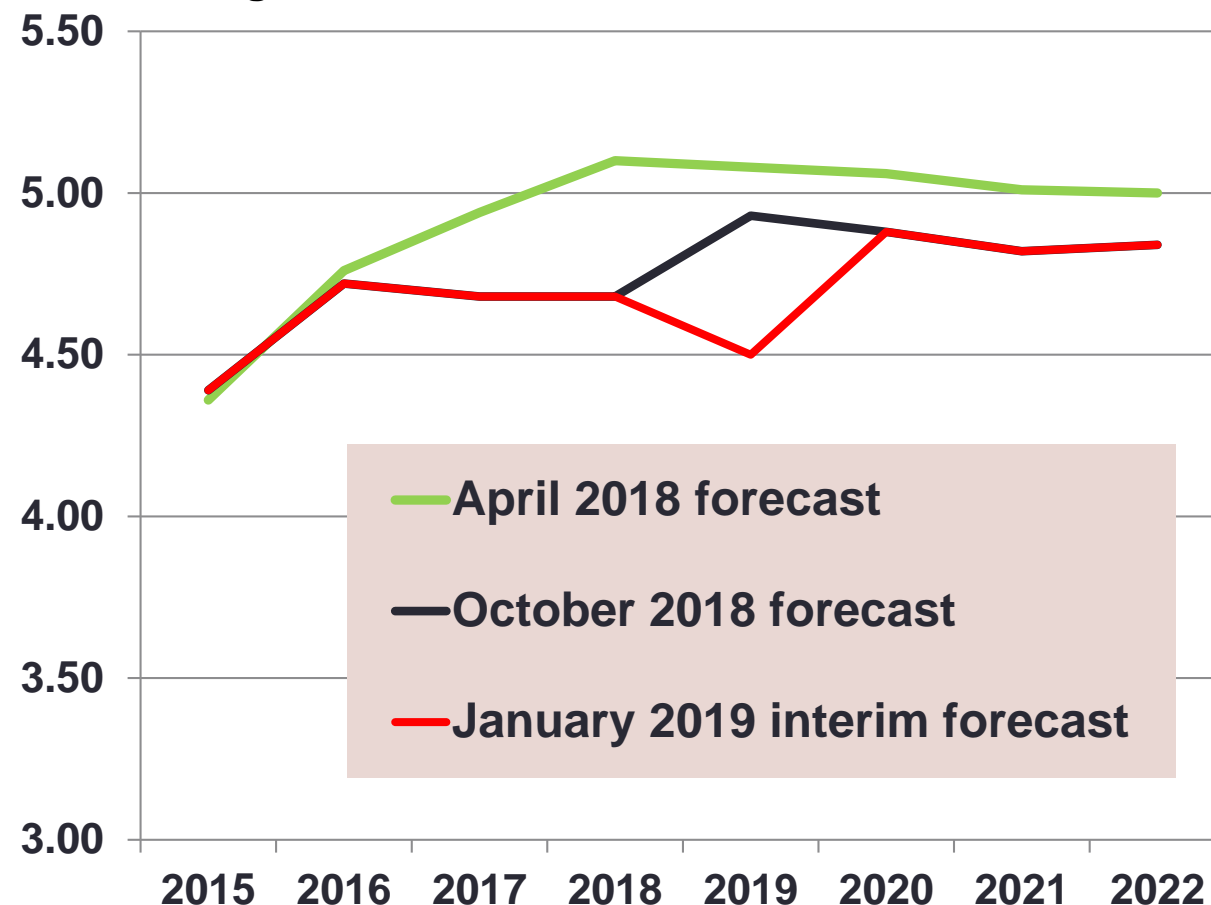
Percent change



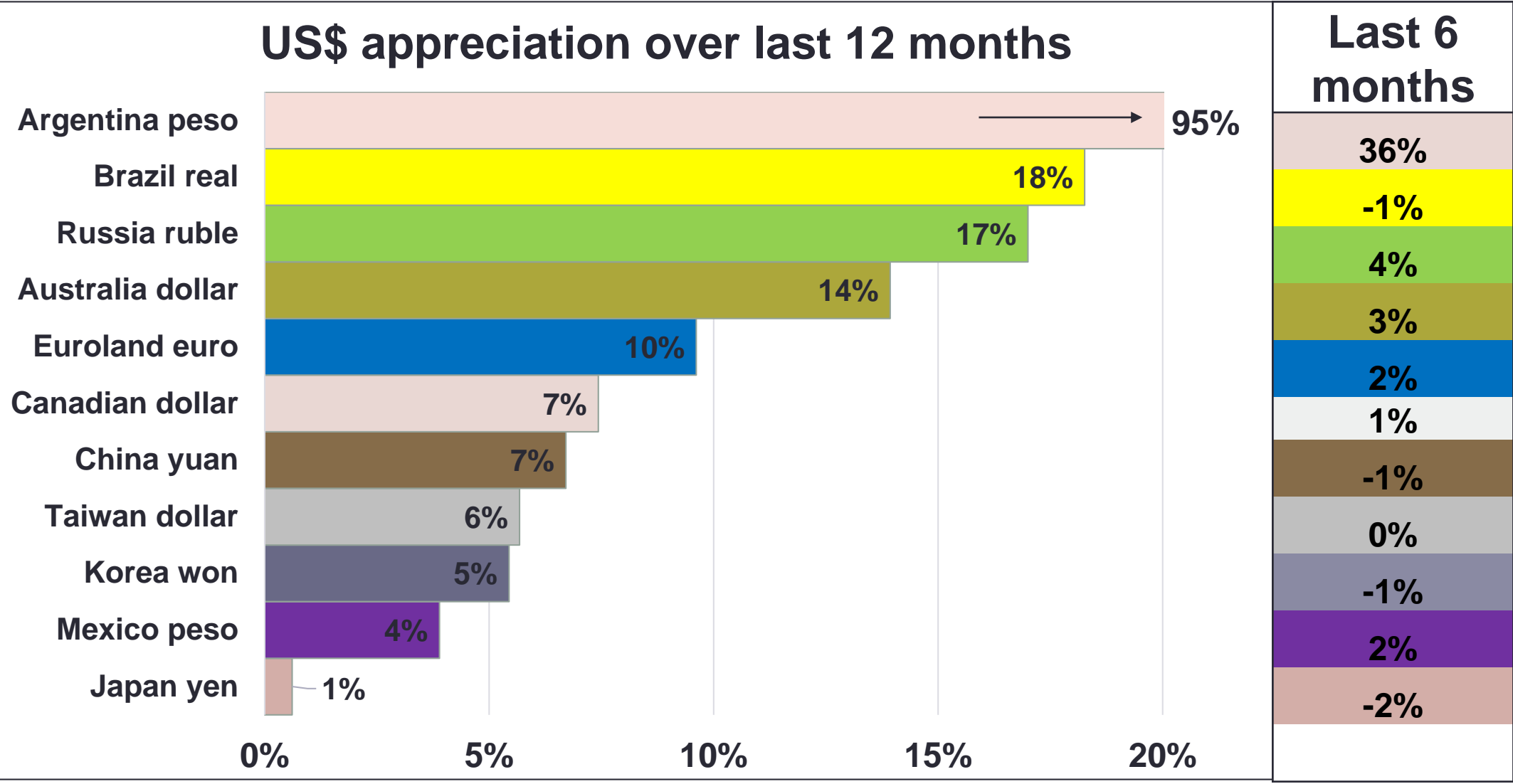
Data: IMF

Emerging Markets and Developing Countries

Percent change

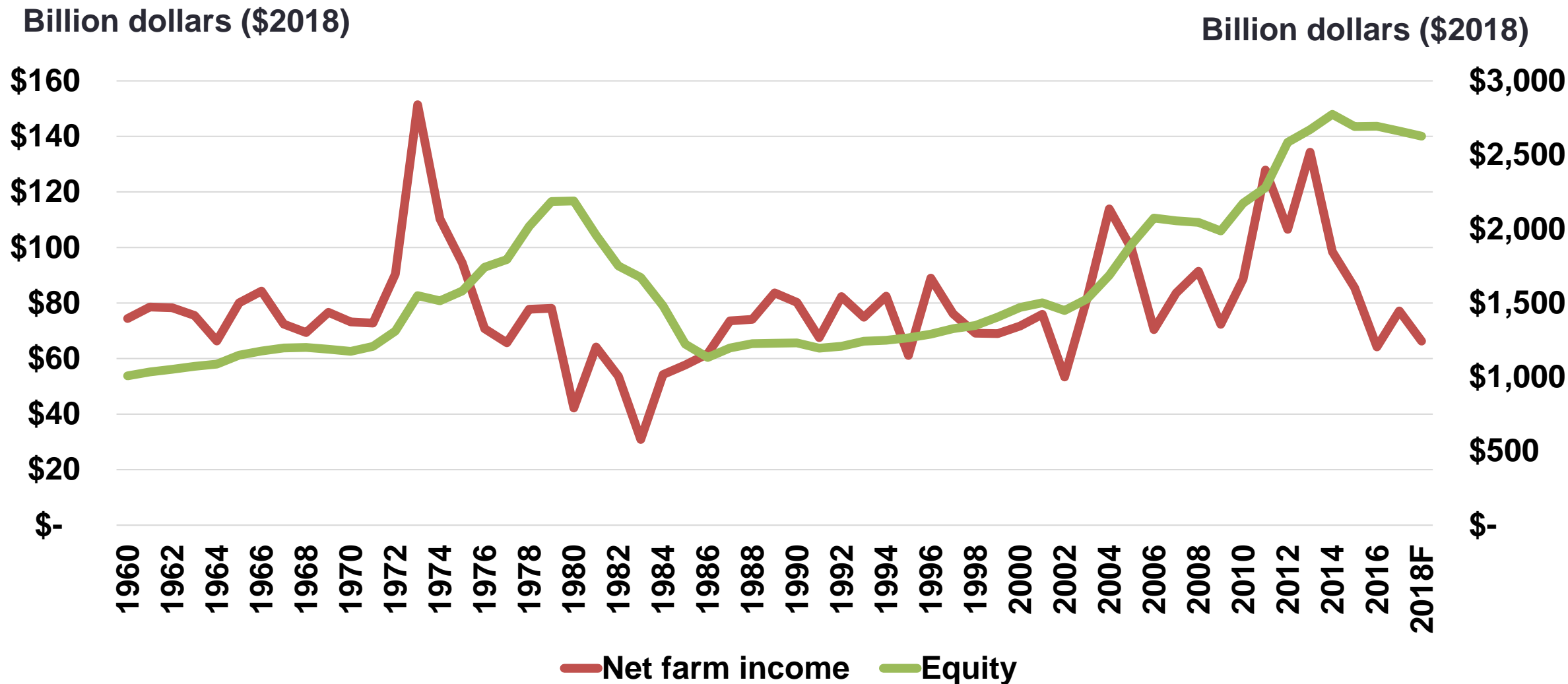


Dollar up year-over-year, but mixed over the last few months

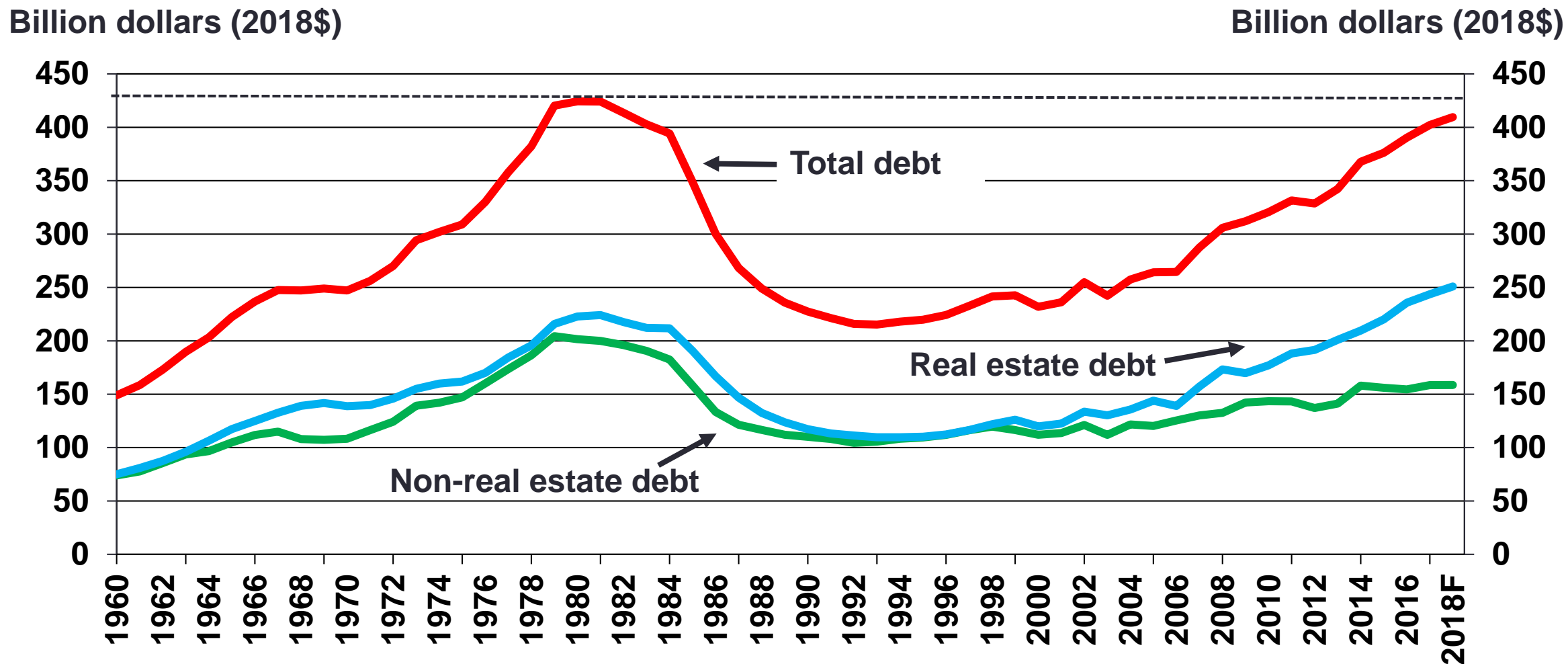


Data: Thomson Reuters Datastream

Real farm income settles; equity shows slight decline

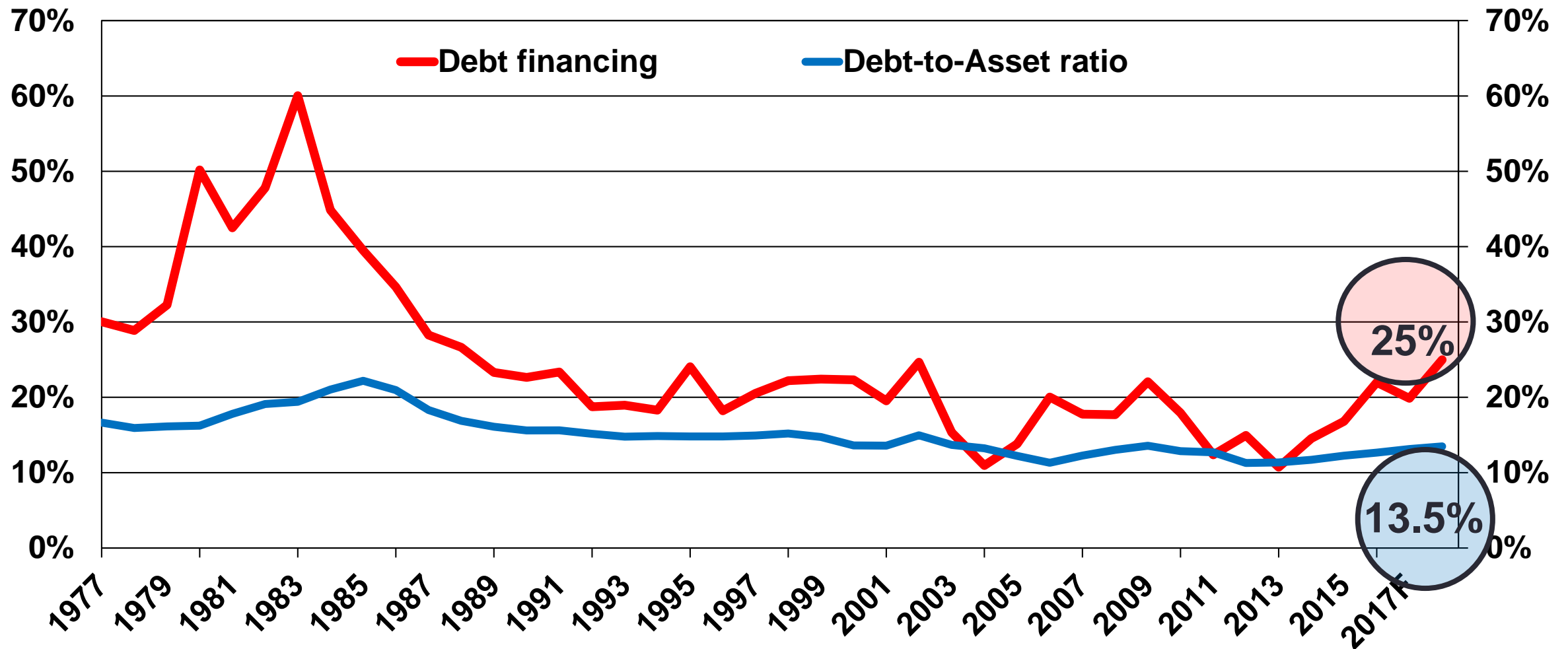


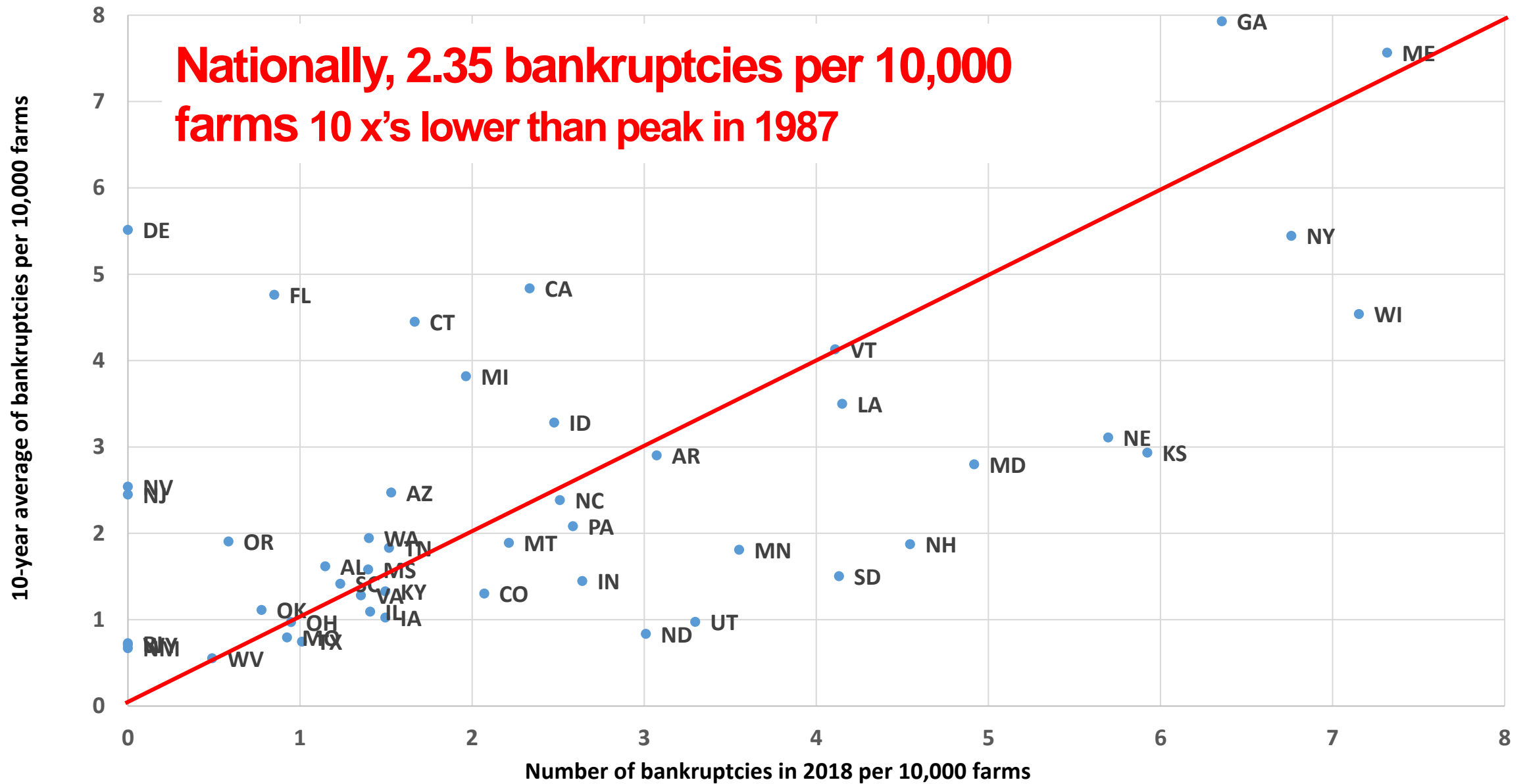
Borrowing against real estate equity fuels debt growth



Debt-to-assets remain low — 13.5%

but debt financing highest since 1988

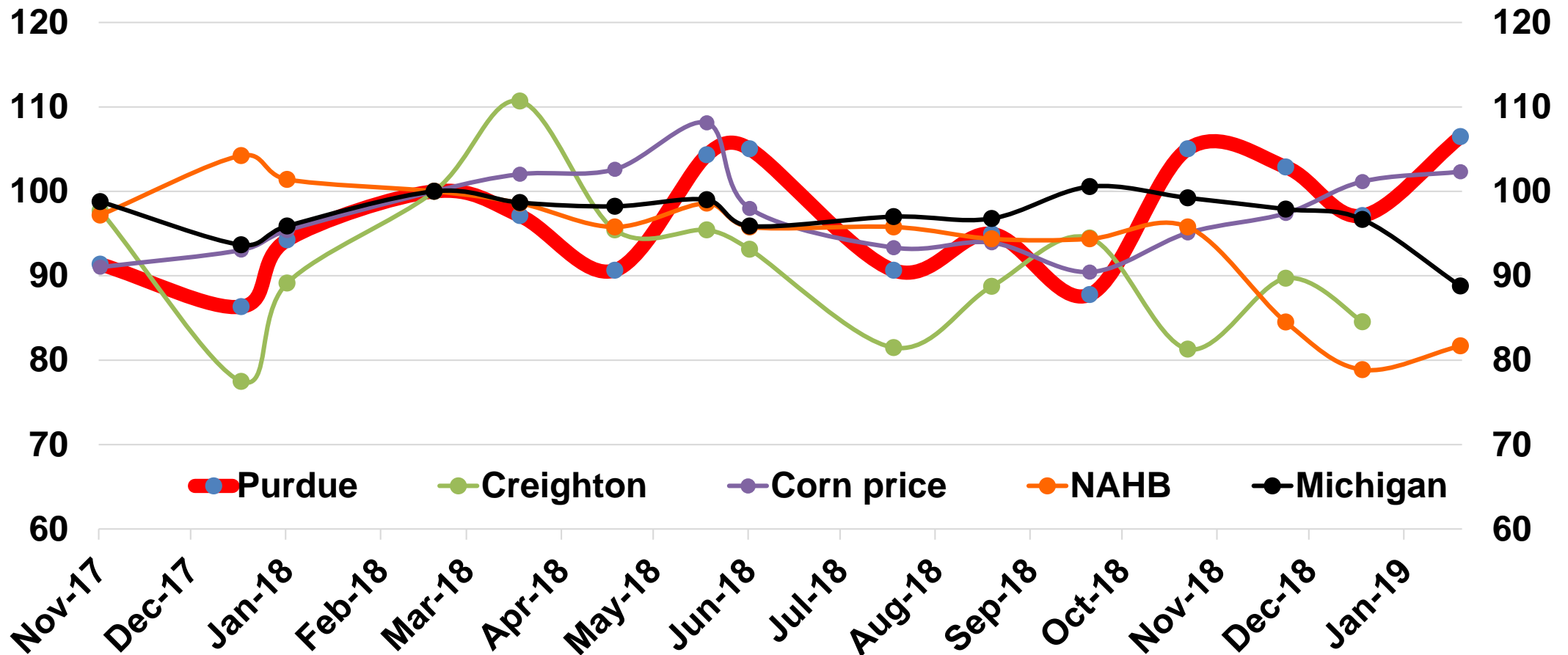




How optimistic are you about economic prospects over the next 6 months?

Feb 2018 = 100

Feb 2018 = 100



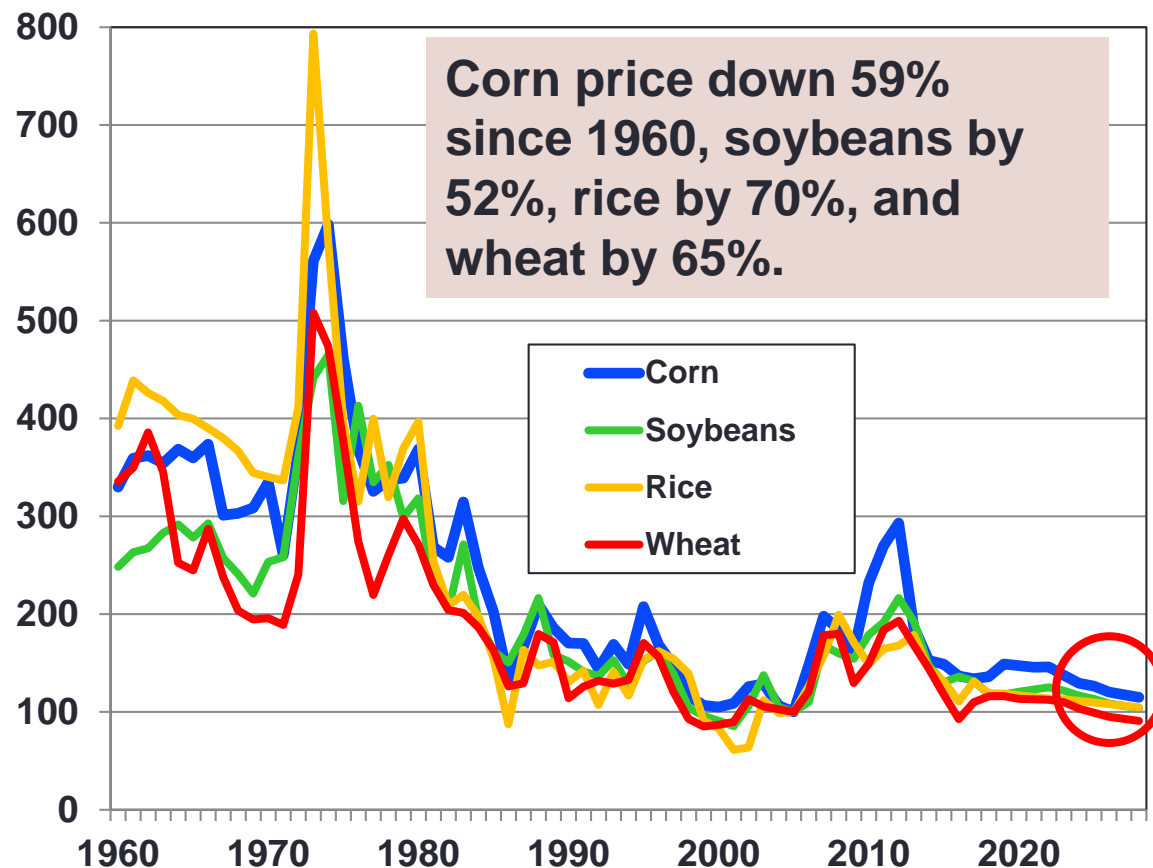
U.S. crop forecast

<https://www.agweek.com/business/agriculture/4512383-moisture-snow-has-really-hampered-harvest>

Real prices trend down, as crop production outstrips demand

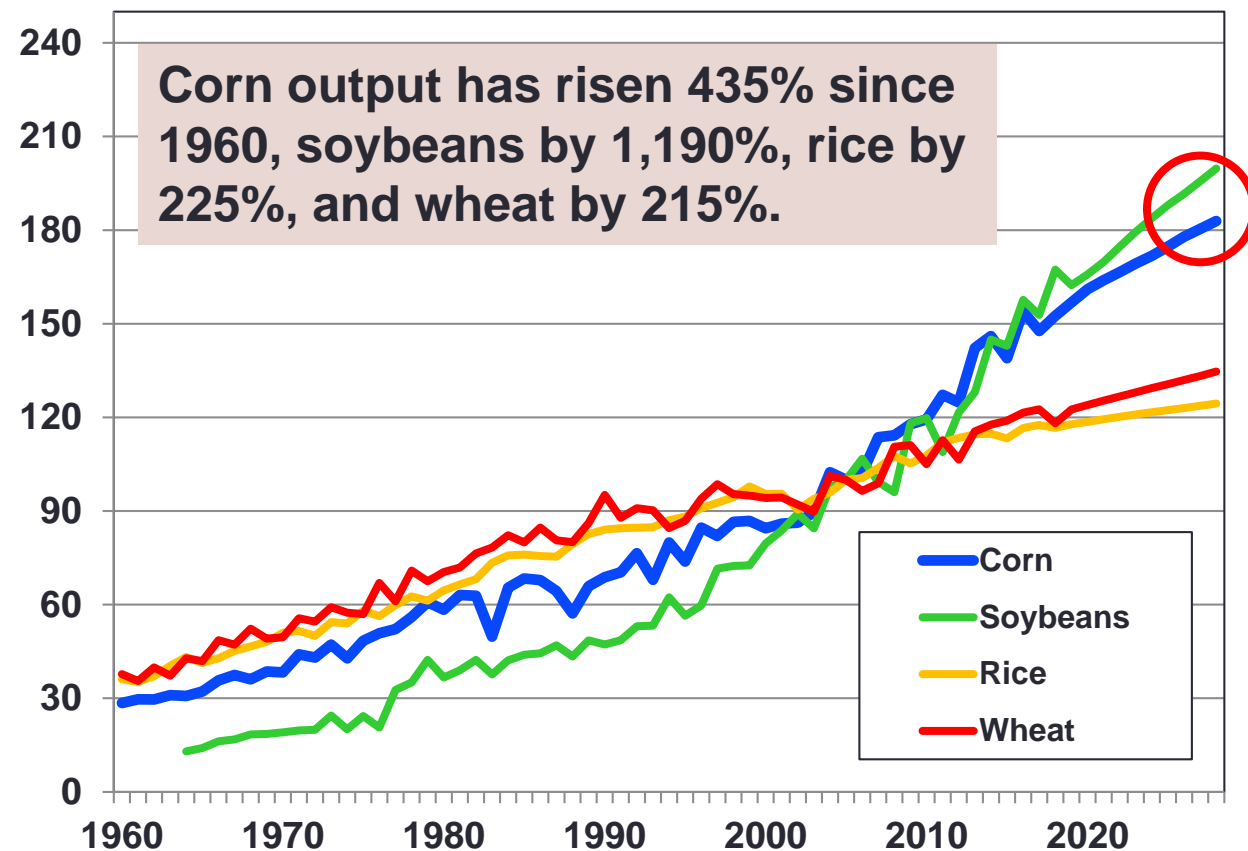
2005=100

Real Crop Prices

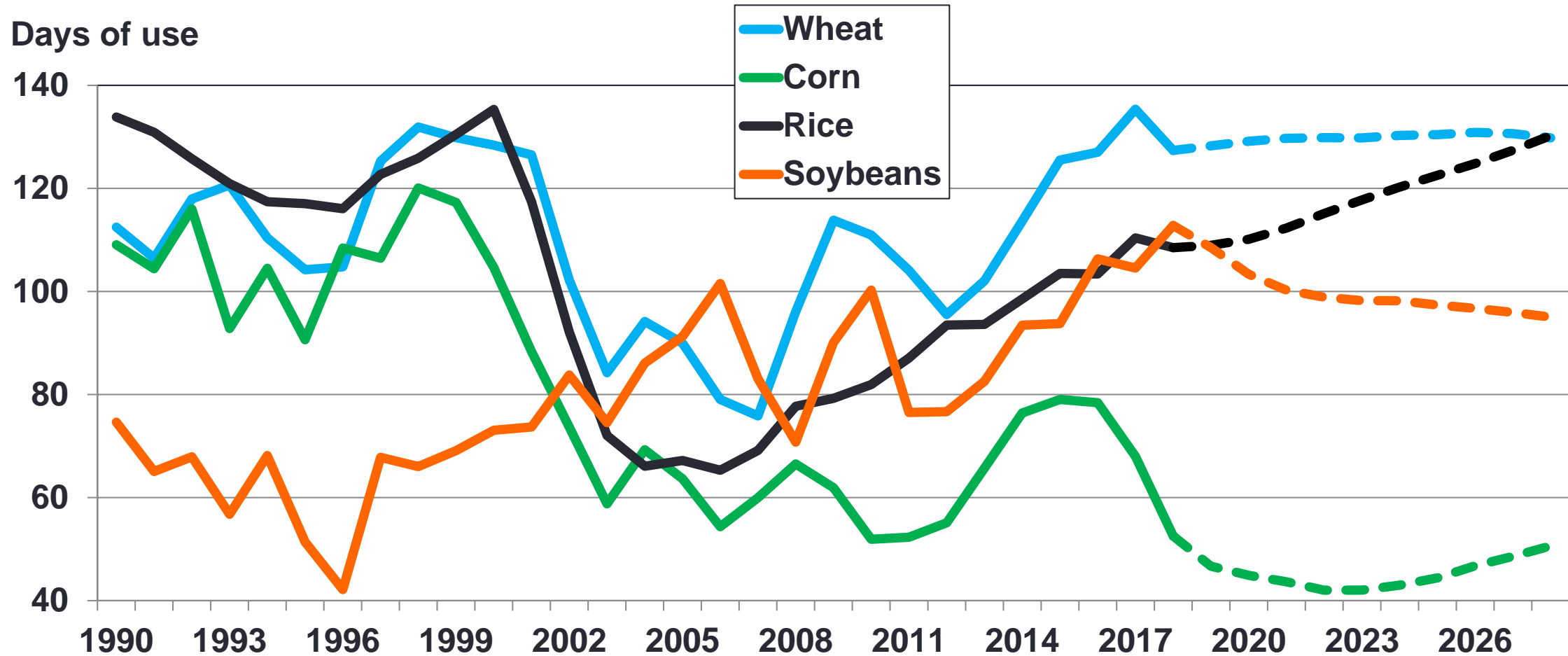


2005=100

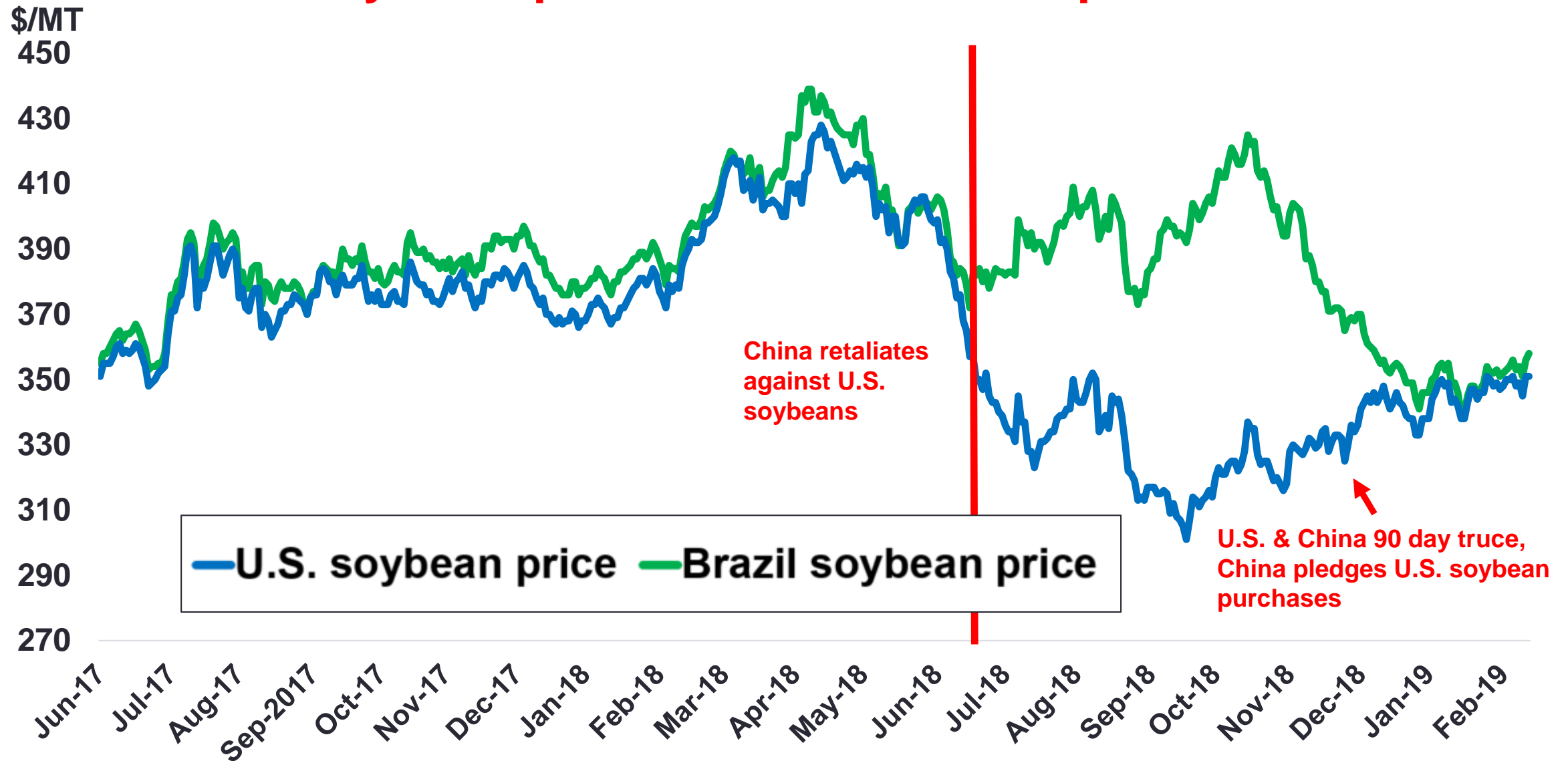
World Crop Production



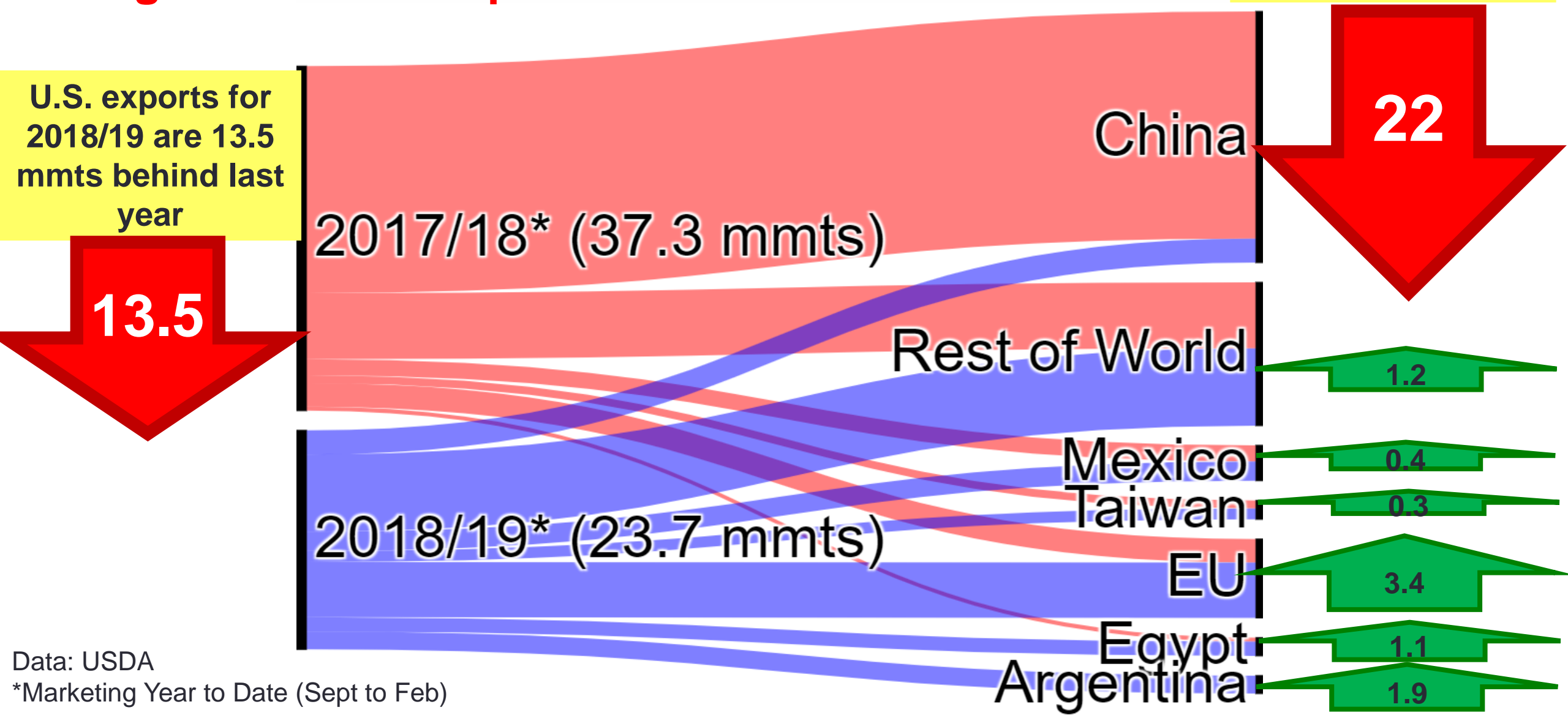
Global stocks in days of use: tightening market for corn and soybeans over next few years



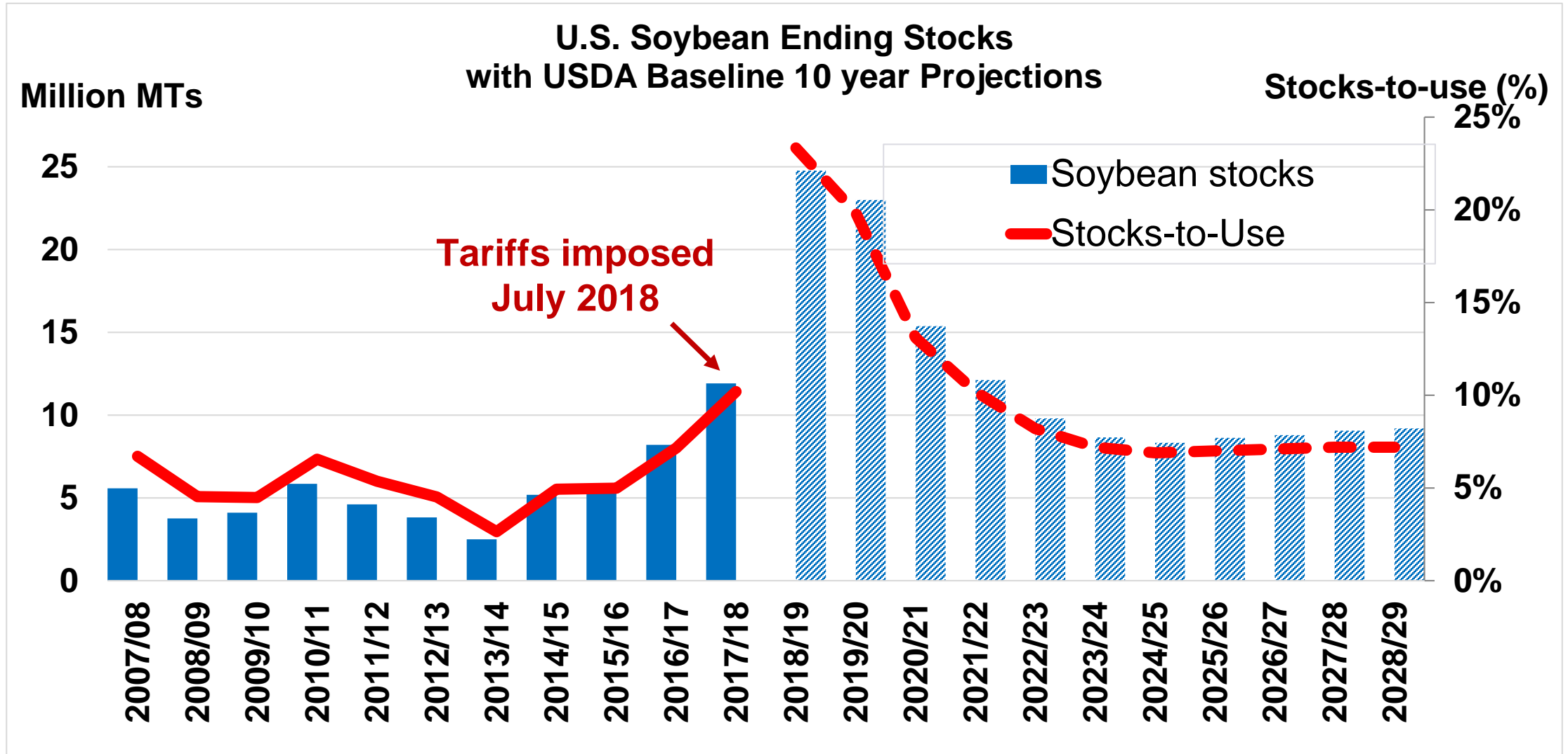
U.S. soybeans prices fall under trade dispute



Alternative markets for U.S. soybeans up, but not enough to recover exports to China



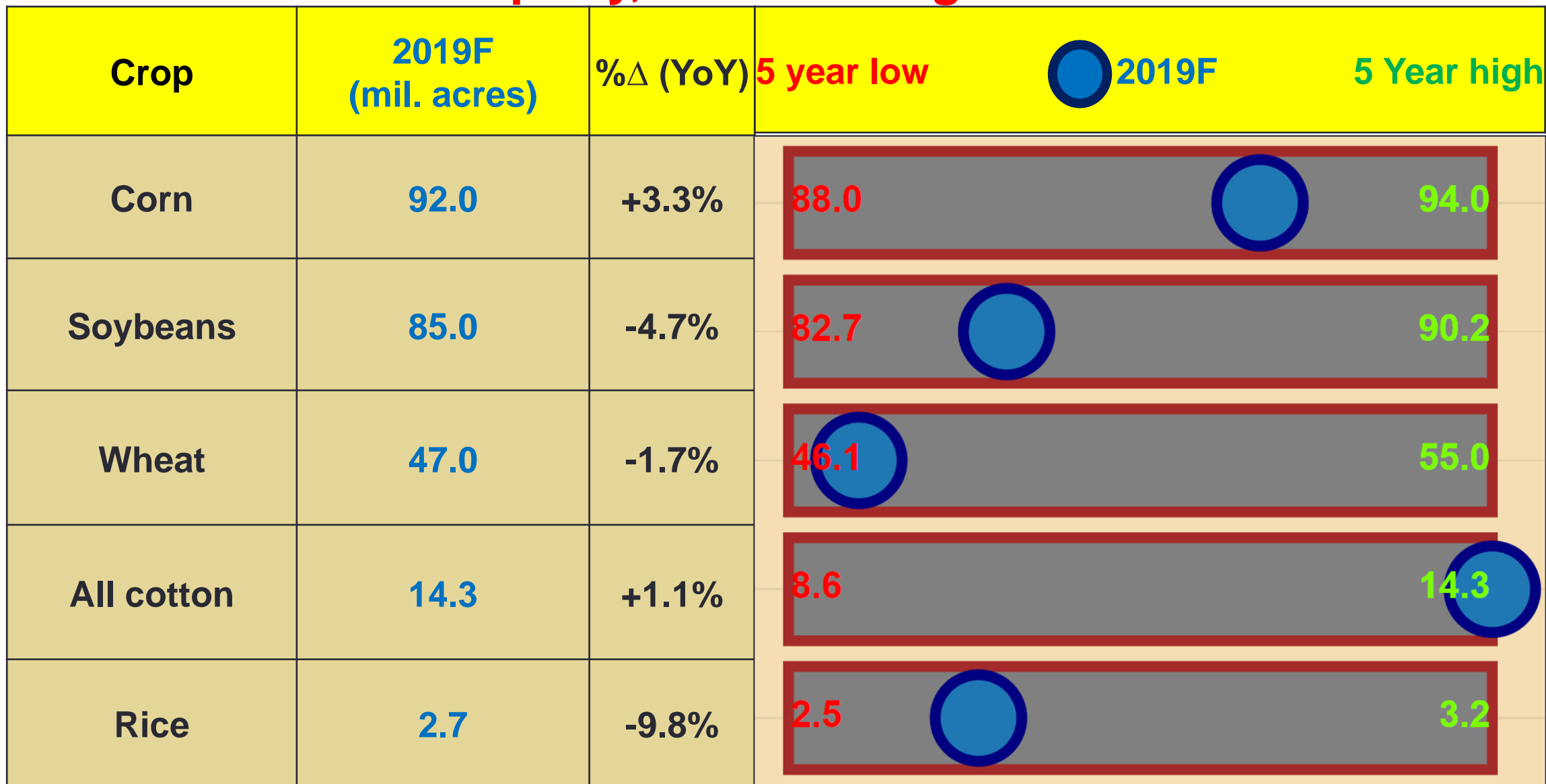
Stocks overhang will take years to unwind



Some prices expected to edge up into 2019

Crop	2019F	%Δ (YoY)	5 year low	2019F	5 Year high
Soybeans (\$/bu)	8.80	+2.3%	8.60		9.47
Corn (\$/bu)	3.65	+1.4%	3.30		3.65
All Rice (\$/cwt)	12.20	+0.8%	10.40		12.70
Wheat (\$/bu)	5.20	+1.0%	3.89		5.20
Cotton (\$/lb)	0.67	-6.9%	0.61		0.72

Corn and bean area at parity, wheat holding



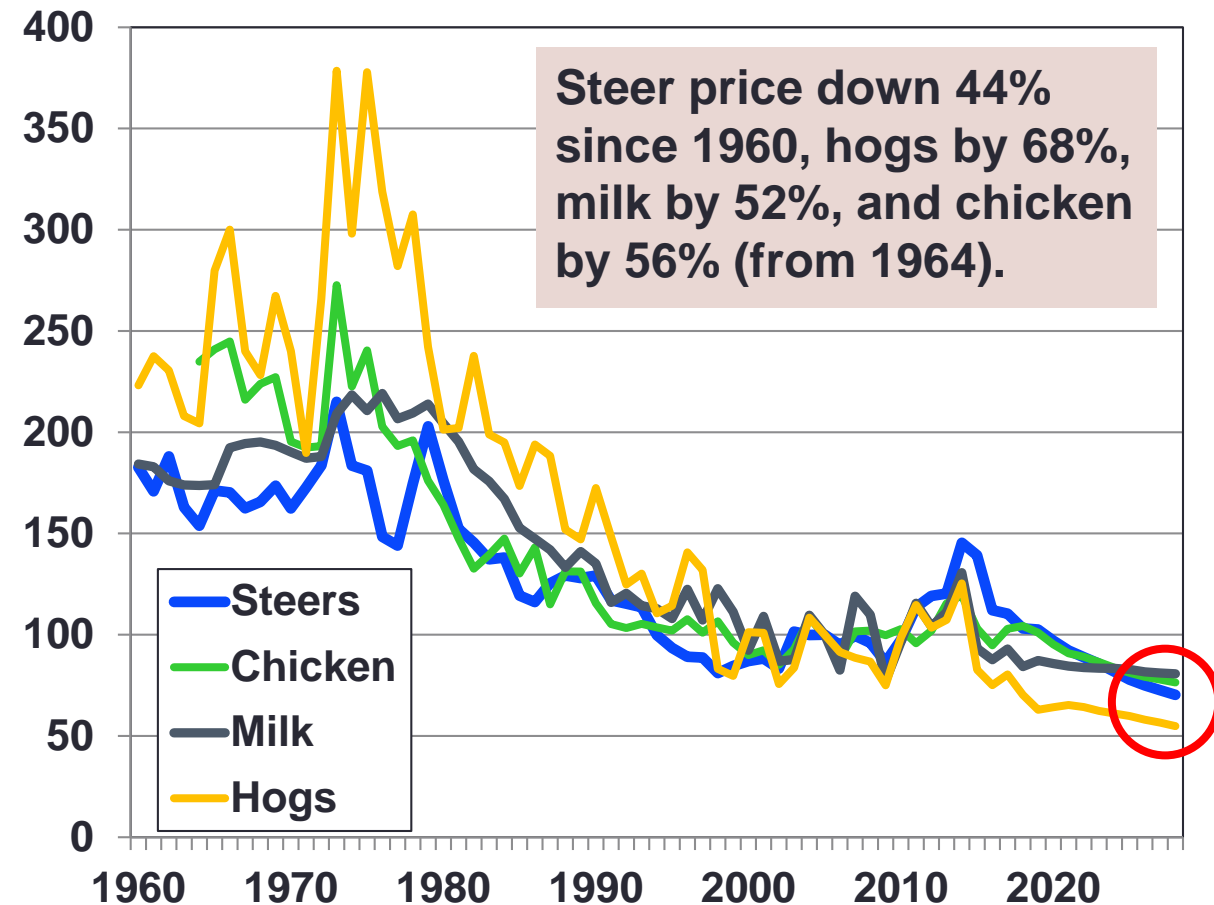
Photograph: Rachel Doyle



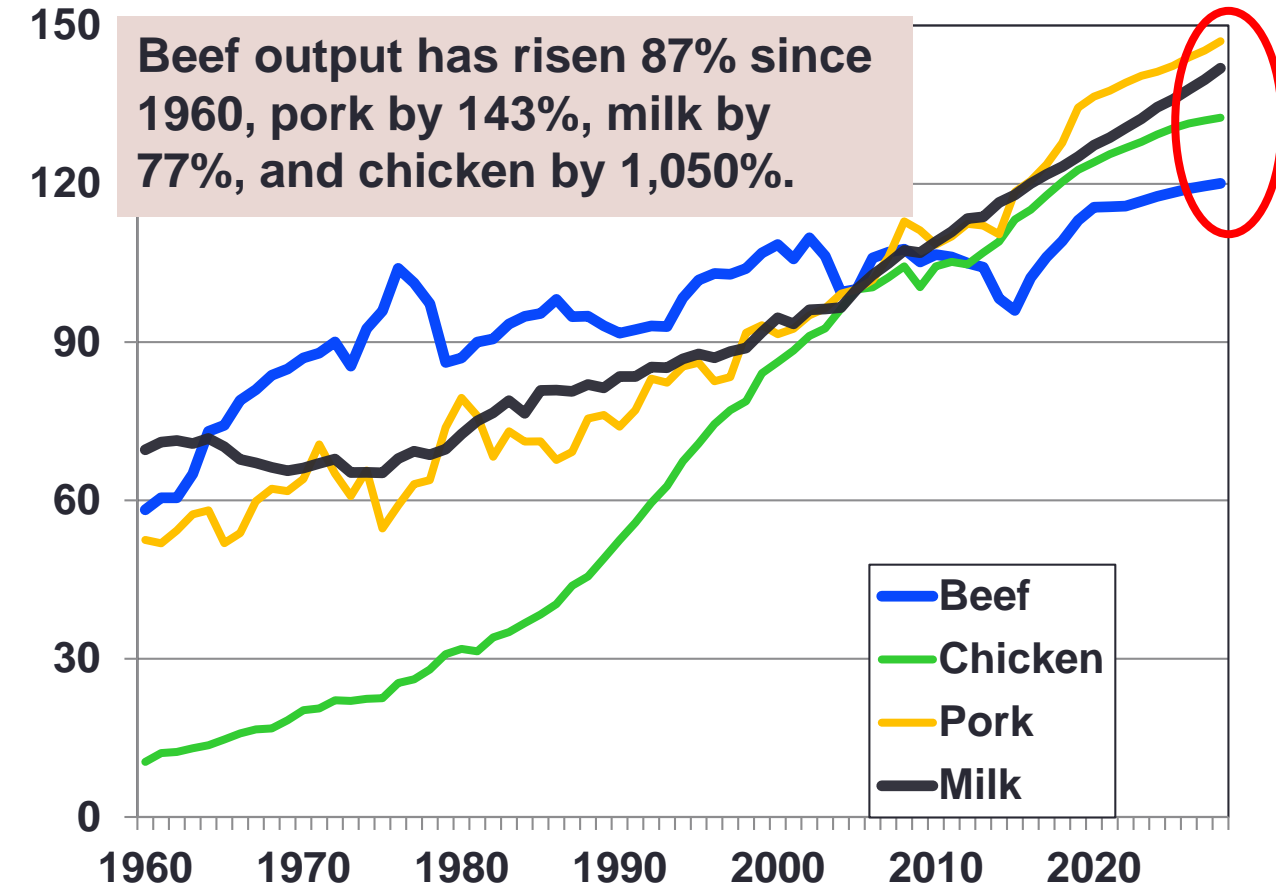
Outlook for Livestock and Dairy

Real prices trend down, as U.S. livestock production outstrips demand

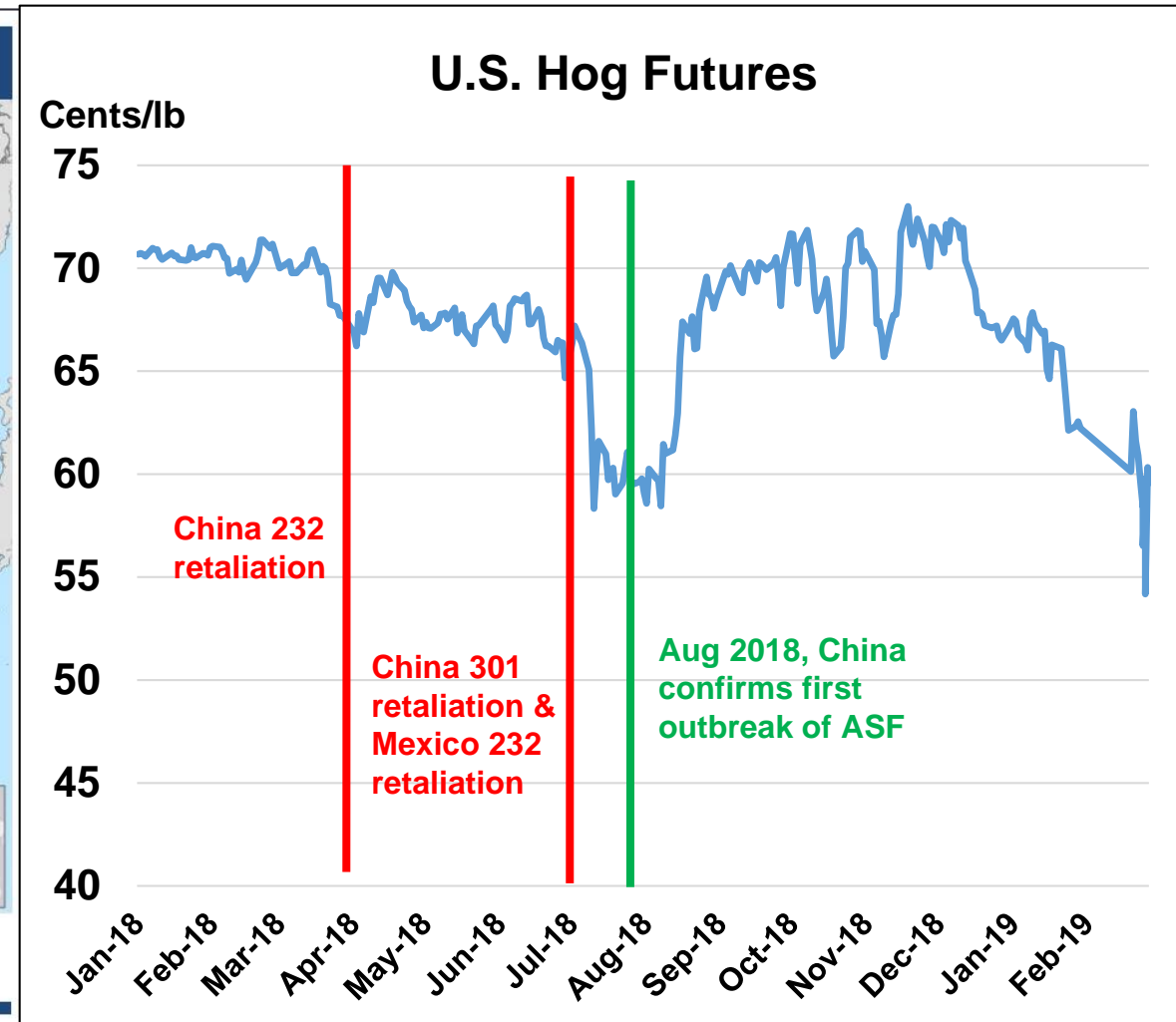
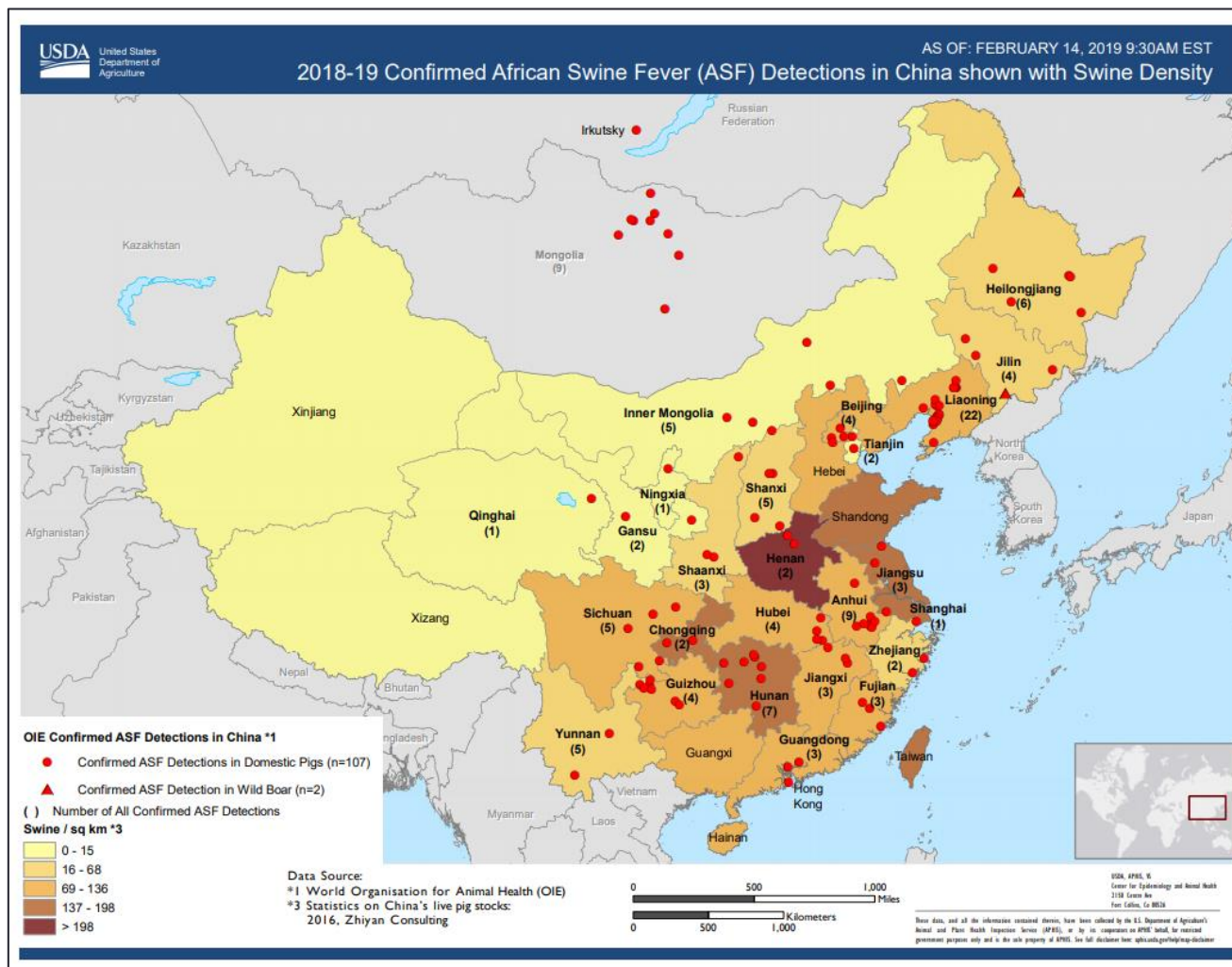
2005=100 Real U.S. Livestock, Poultry, and Milk Prices








2005=100 U.S. Meat and Milk Production



African Swine Fever (ASF) may affect global pork demand



Low prices for steers and hogs in 2019

Livestock	2019F	%Δ (YoY)	5 year low	 2019F	5 Year high
Steers (\$/cwt)	118.50	+1.2%	 117.12		148.12
Hogs (\$/cwt)	42.50	-7.5%	 42.50		50.48
Broilers (\$/cwt)	97.00	-0.8%	84.30	 97.80	
Milk (\$/cwt)	17.25	+6.5%	16.20		17.65

Meat and milk production to be record high in 2019

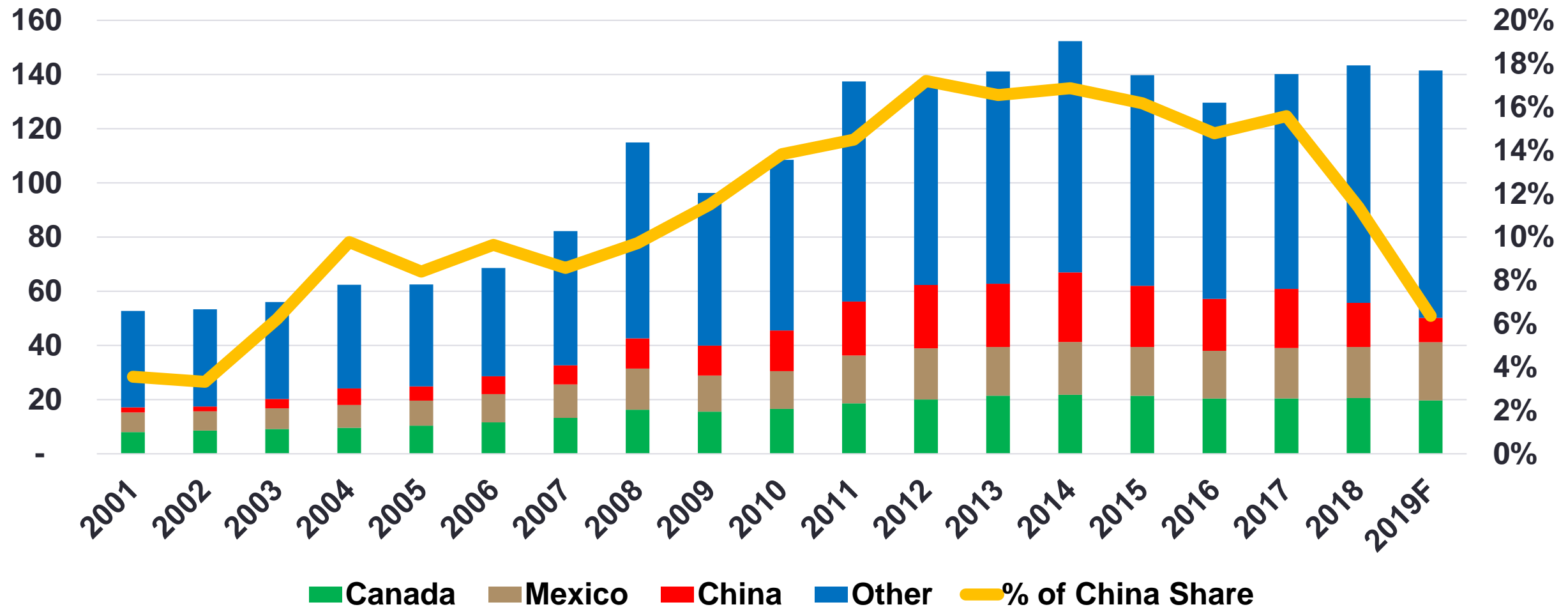
Item	2019F (billion lbs)	%Δ (YoY)	5 year low	2019F	5 Year high
Beef	27.6	+2.7%	23.7	27.6	27.6
Pork	27.3	+3.8%	24.5	27.3	27.3
Broilers	43.1	+1.4%	40.0	43.1	43.1
Total ¹	104.7	+2.3%	94.6	104.7	104.7
Milk	220.1	+1.1%	208.6	220.1	220.1

Trade Outlook

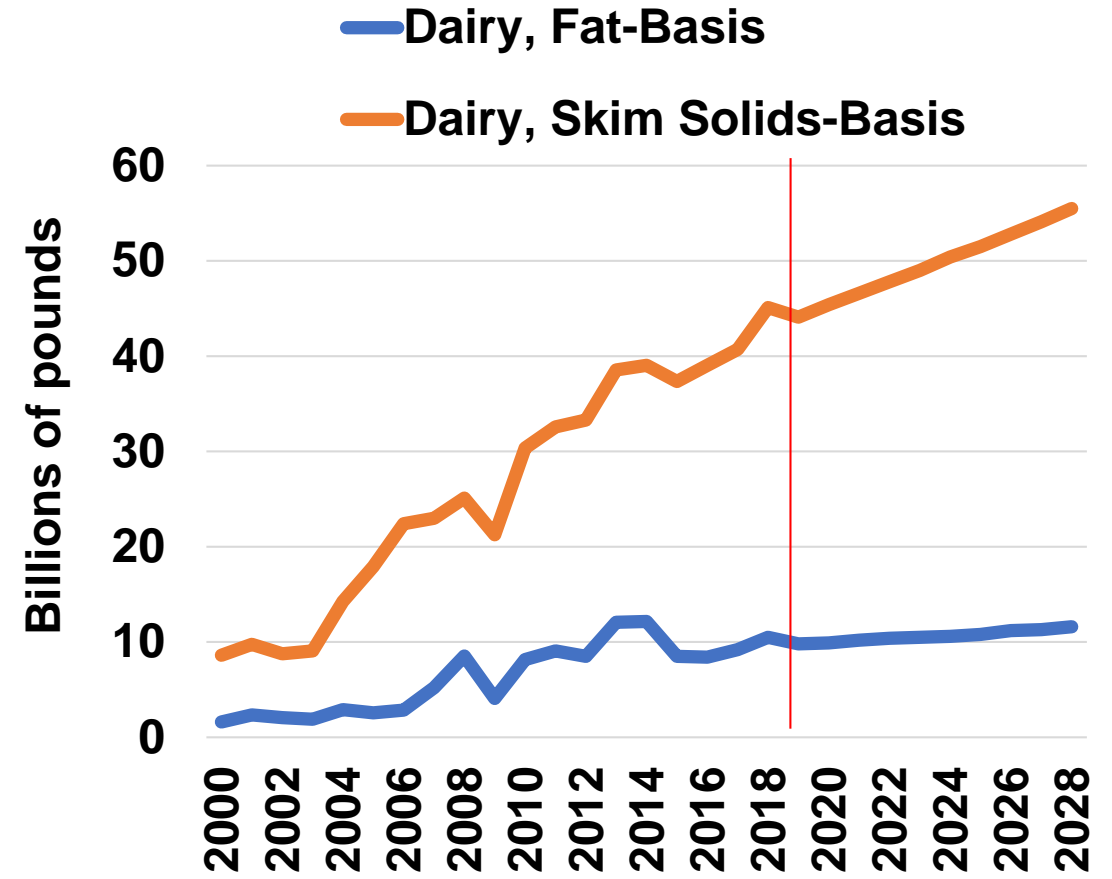
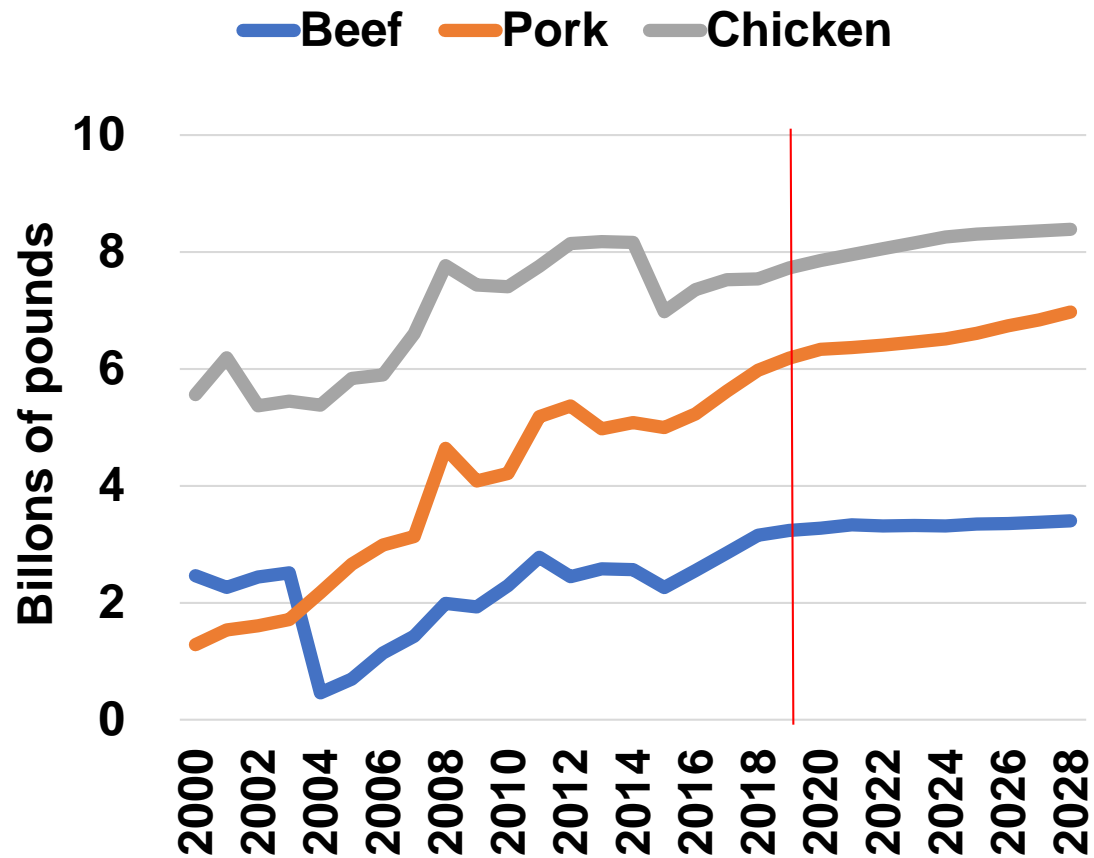


Agricultural export values expected to remain flat in 2019, China share down sharply

Billion dollars



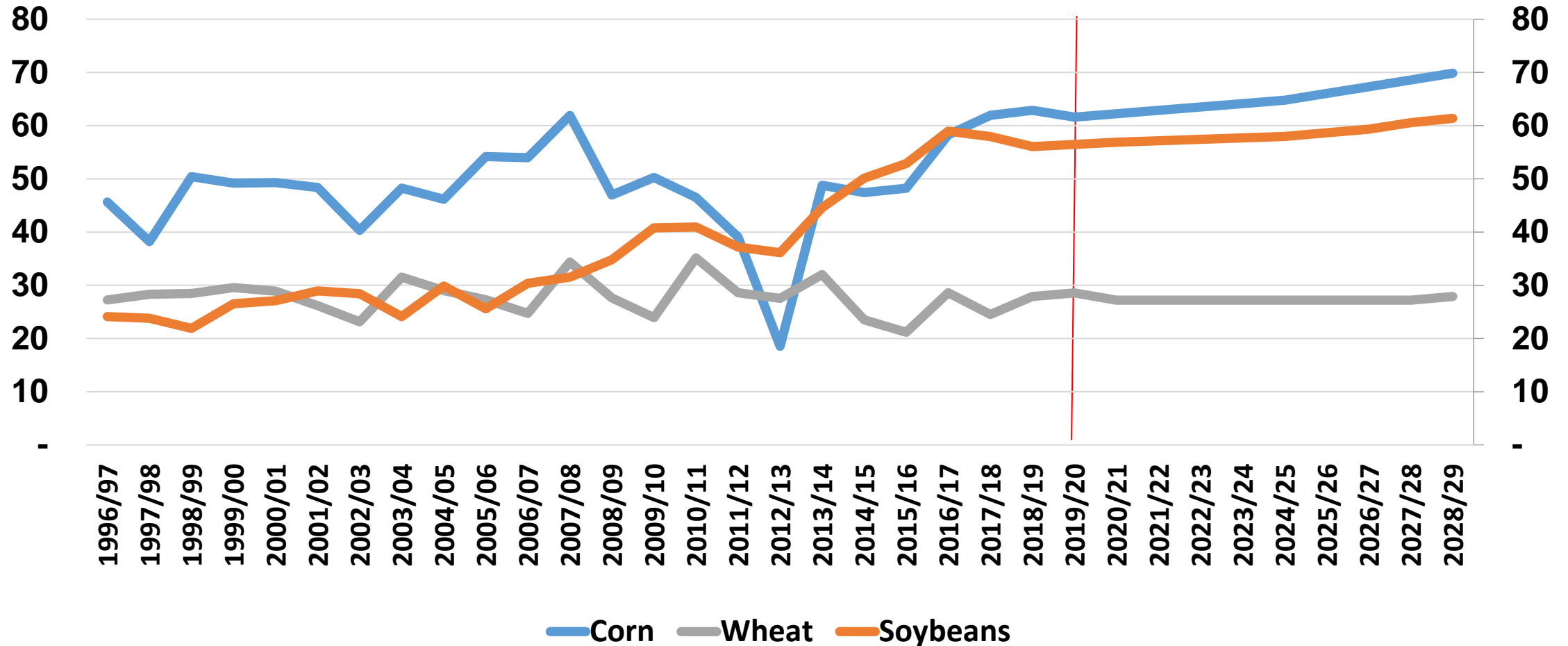
Global demand drives growth in U.S. livestock and dairy exports



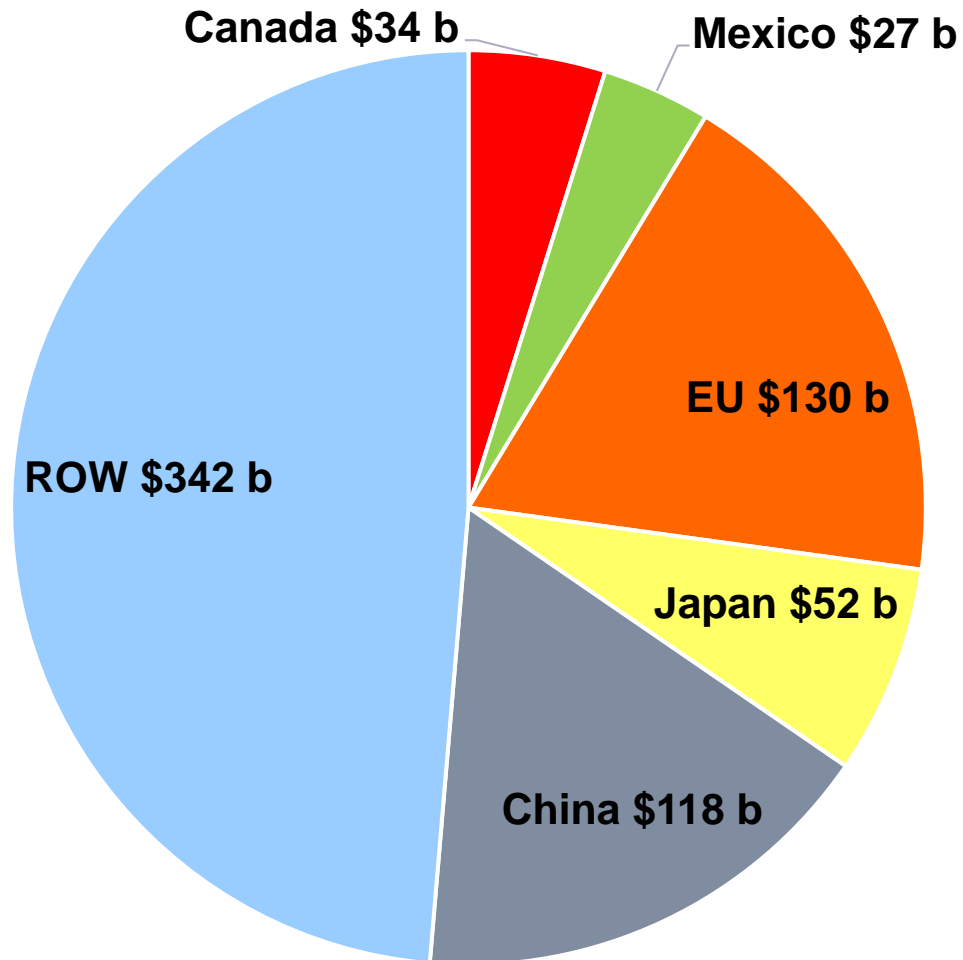
... and drives growth in U.S. feed grain exports

Million metric tons

Million metric tons



New FTAs may impact U.S. access into top export markets



Top 5 U.S. Export Markets FTAs (excl. U.S.)

Canada-EU (CETA)

EU-Mexico

EU-Japan

CPTPP (TPP-11)

Australia-China

New Zealand-China



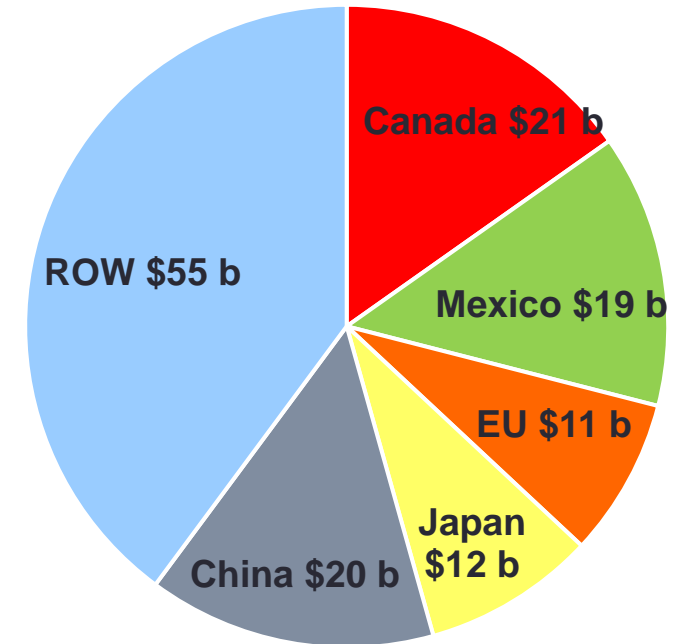
U.S.-FTAs with Top 5 Export Markets

NAFTA (in effect)

USMCA (signed)

Proposed:

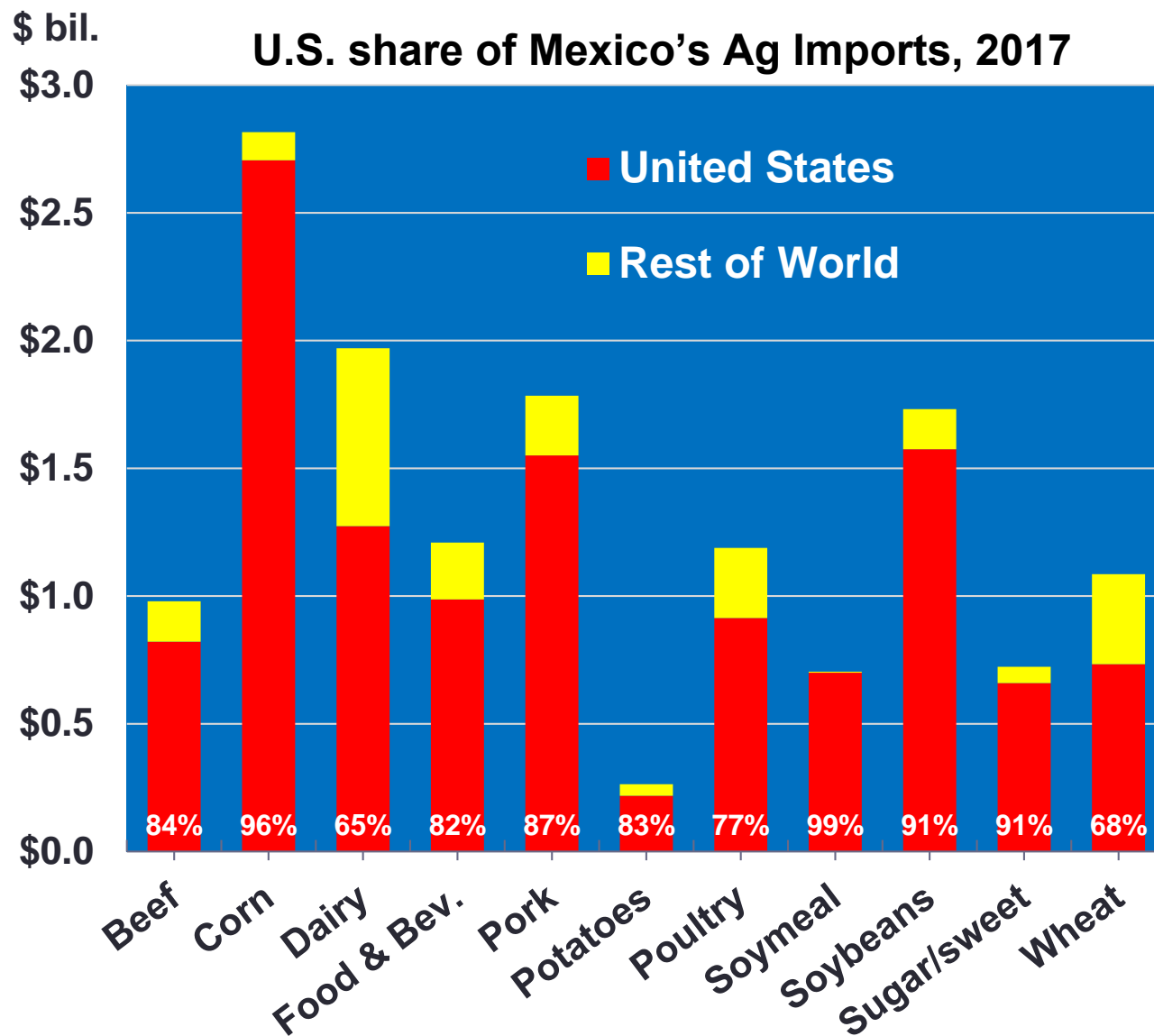
U.S.-Japan, U.S.-EU, U.S.-UK



Global ag imports (2017)
\$703 billion (excl. U.S.)

Total U.S. ag exports (2017)
\$138 billion

USMCA strengthens North American market integration



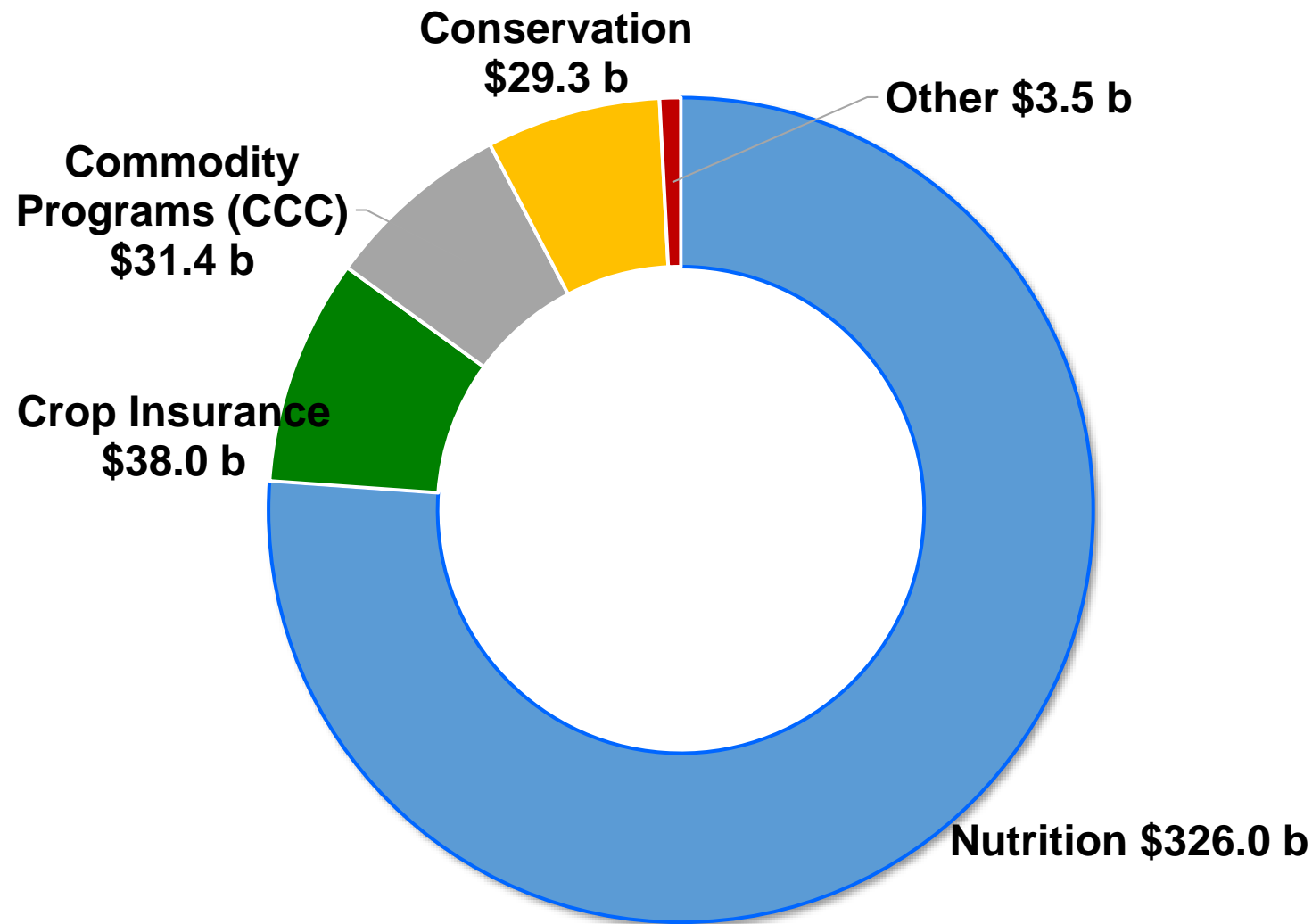
NEXT STEPS

- USITC report to Congress
- Administration submits implementing legislation package to Congress
 - After bill is reported out of the Committees, the House and Senate vote on the bill
- Bill signed into law, agreement is implemented by proclamation

Farm Policy

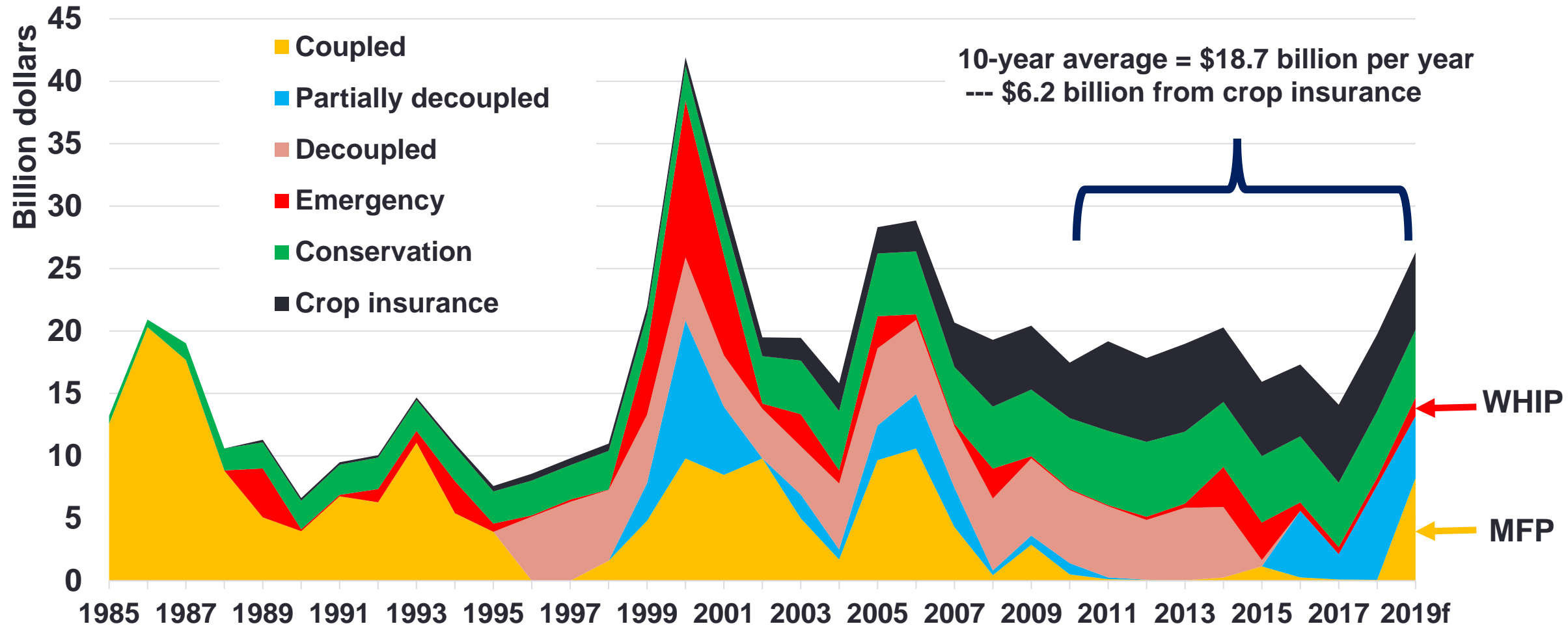


2018 Farm Bill outlay = \$428 billion over 5 years



- An increase of ~\$400 mil. per year over the 2014 Farm Bill for FY2019 - FY2023
- Percent spent on Nutrition remains at 76% but with more funding for employment training
- Increase in Research funding of \$365 mil. over 5 years

Characteristics of US farm programs changing over time; crop insurance increasing in importance



Data: USDA, fiscal year.

ARC/PLC payments per base acre expected to change under 2018 Farm Bill

	Farm 2014 Bill: June 2017 Baseline	2018 Farm Bill: January 2019 Baseline
Corn	\$98.85	\$106.93
Soybeans	\$34.16	\$42.67
Wheat	\$75.10	\$60.90
Seed Cotton*	Not Applicable	\$172.59
Rice	\$440.78	\$738.21
Peanuts	\$881.21	\$713.11

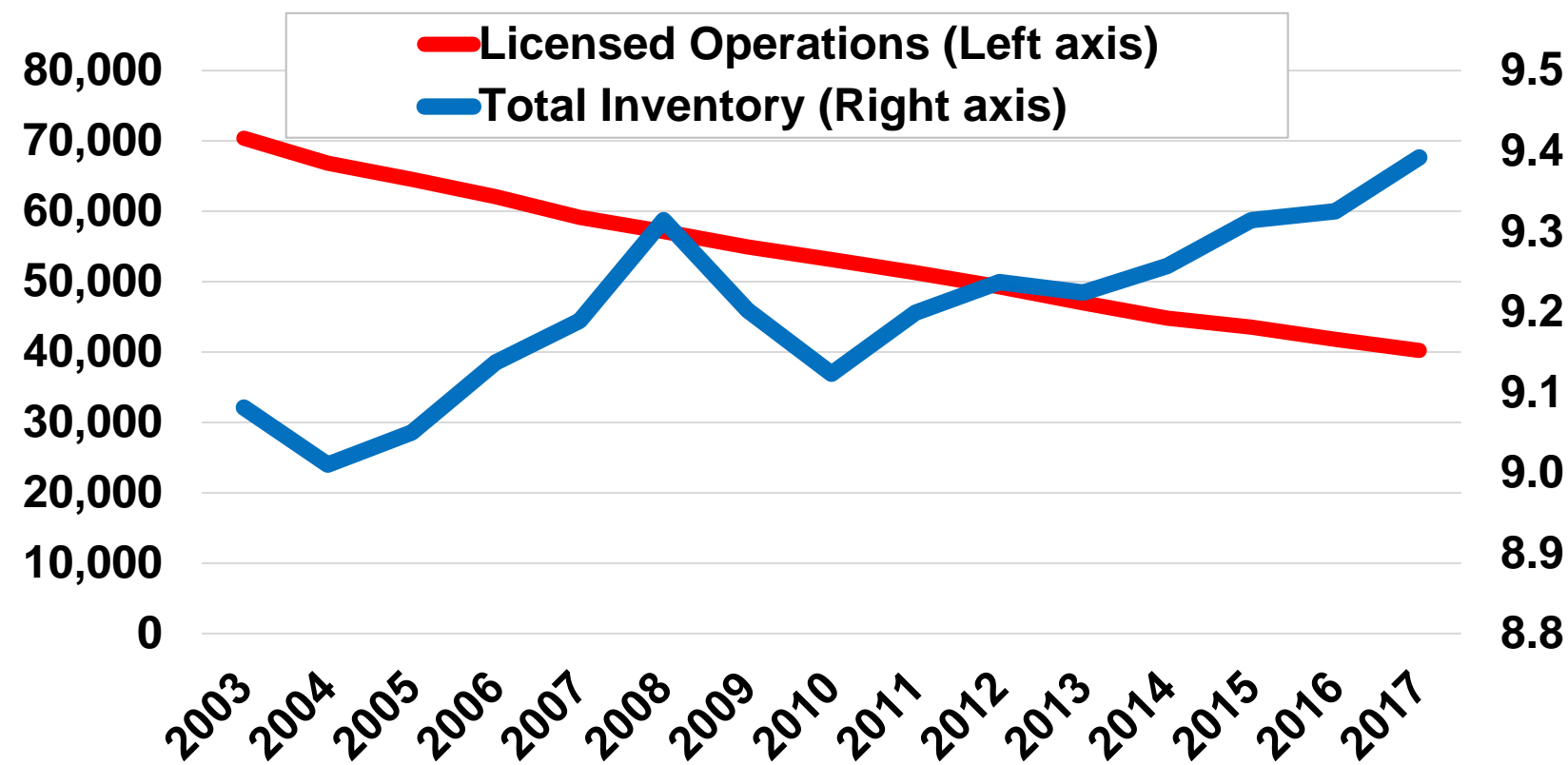
- Seed cotton became a covered commodity under the Bipartisan Budget Act of 2018 (BBA)
- Minor adjustments were made to Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) in the 2018 Farm Bill.

*Uses 80% of generic base acres enrolled in 2015. Official estimates of seed cotton base acres are not yet available.

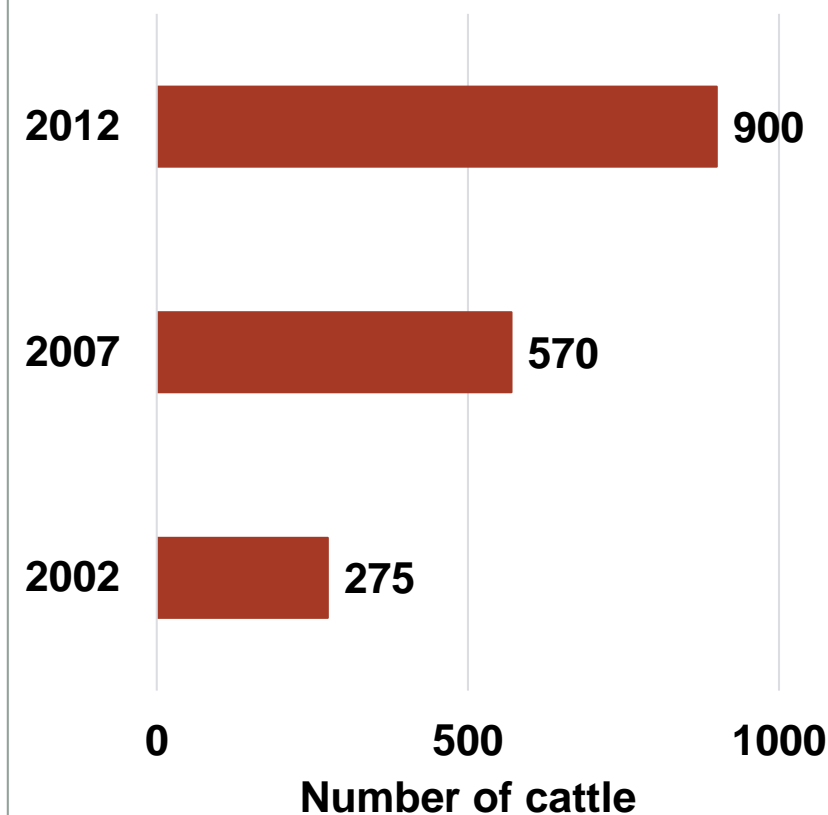
Dairy operations are decreasing in number, as herd sizes grow

Licensed Operations

Dairy Cattle (millions)



Median dairy herd size

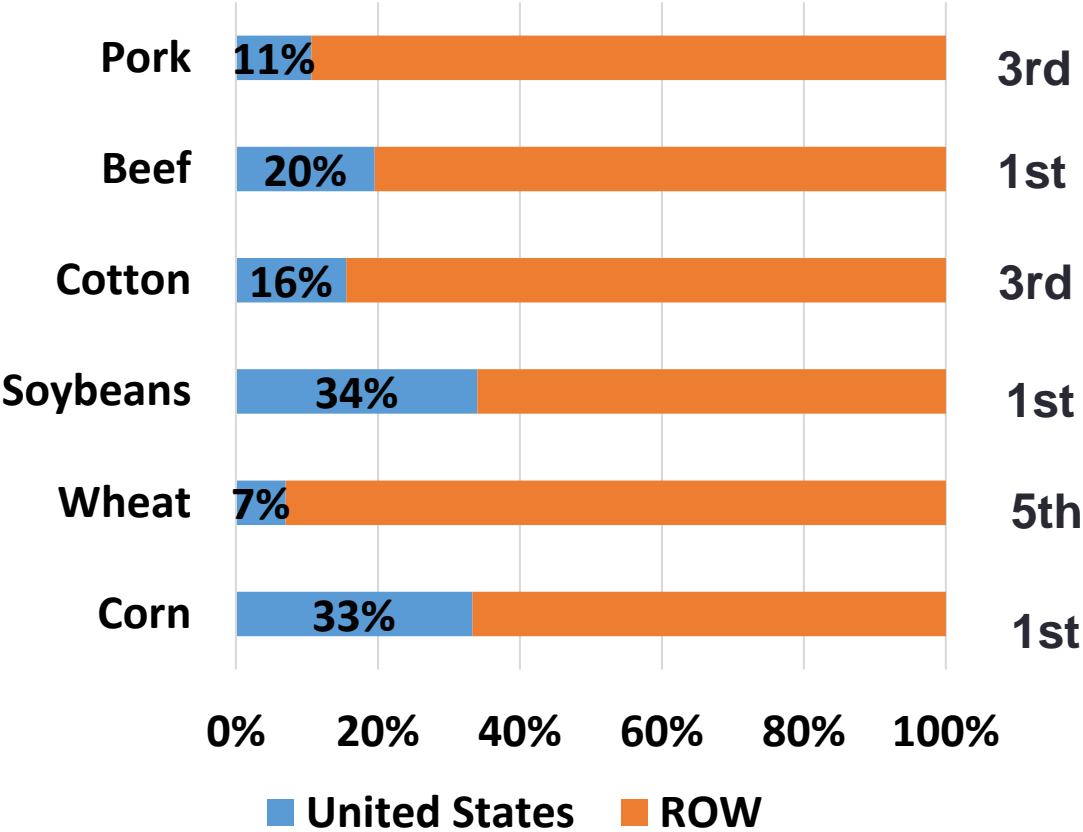


Net benefits for a median-sized dairy (900 cows ≈ 19.5M pounds)

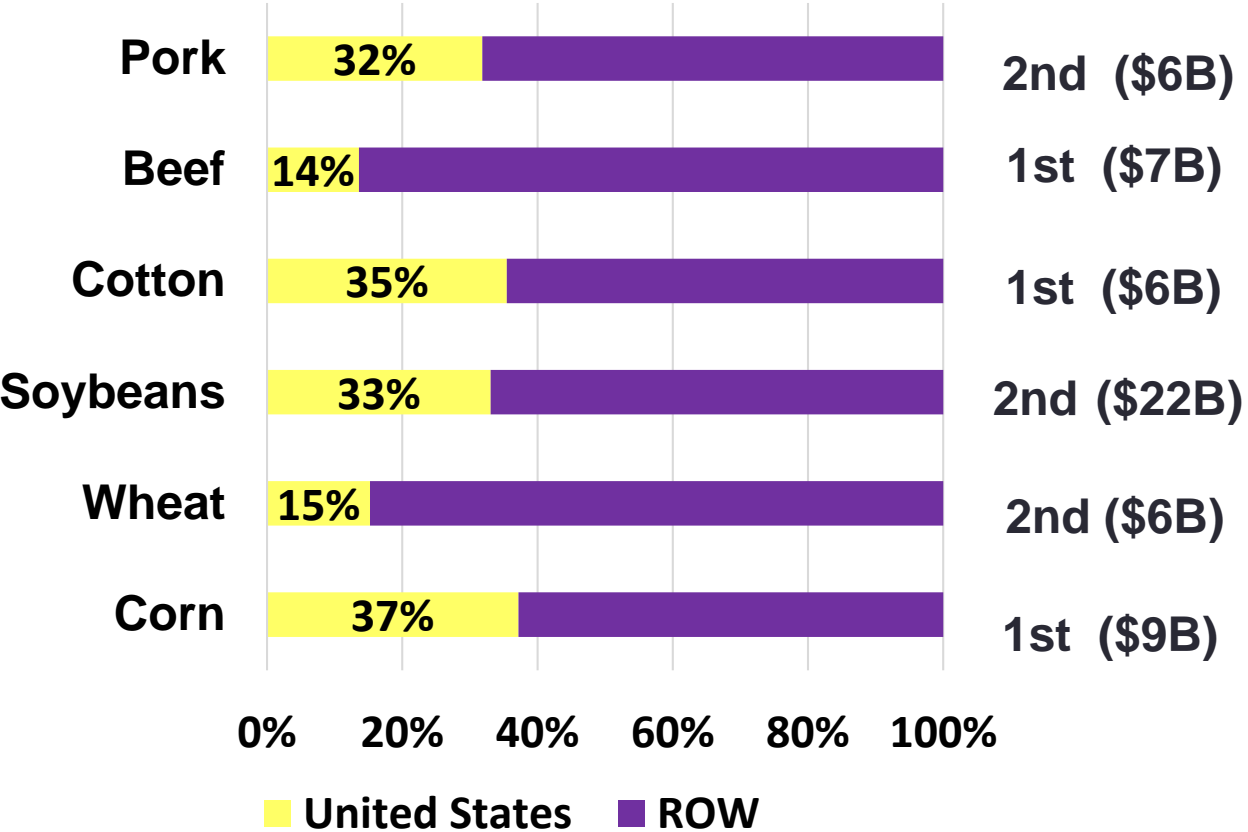
	5-year average MPP (2014 Farm Bill)	5-year average DMC (2018 Farm Bill)
Premium for \$8.00/cwt margin	\$230,184	\$268,396
Premium for \$9.50/cwt margin	NA	\$7,500 (for first 5M lbs only)
Average annual net payment		
➤ \$8.00/cwt margin coverage	-\$172,119	-\$218,076
➤ \$9.50/cwt margin coverage	NA	\$40,421

Conclusion — Growing Locally and Selling Globally

U.S. Global Share of Production



U.S. Global Share of Exports



Growing economies, growing supplies, and falling real food prices improve food security

2018 = 21.1% food insecure

2028 = 10.4% food insecure

